



Grampian Health Board

Annual Report & Accounts



**GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)**

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2021

CONTENTS

Page	
	Performance Report
1	Overview
	The Accountability Report
	a) Corporate Governance Report
34	i) Directors' Report
38	ii) Statement of Chief Executive's responsibilities as the Accountable Officer of the Health Board
39	iii) Statement of Health Board Members' Responsibilities in respect of the Accounts
40	iv) Governance Statement
	b) Remuneration and Staff Report
63	i) Remuneration Report
67	ii) Staff Report
72	c) Parliamentary Accountability Report
73	Independent Auditor's Report
	Financial Statements
77	Consolidated Statement of Comprehensive Net Expenditure
79	Consolidated Statement of Financial Position
81	Consolidated Cash Flow Statement
83	Consolidated Statement of Changes in Taxpayer's Equity
84	Notes to the Accounts
130	Direction by the Scottish Ministers

ANNUAL REPORT PERFORMANCE REPORT OVERVIEW

1. Purpose

This Overview aims to provide the reader with sufficient information to understand the purpose of the NHS Grampian Board, the key risks to the achievement of its objectives and how it has performed during the year. Should you wish to find out more detailed information we have provided this in the rest of the Performance Report, the Accountability Report and the financial statements.

NHS Grampian publishes a wide range of information on its services and activities on its website which you can find at: <https://www.nhsgrampian.org/>

2. Statement from the Chief Executive

Looking back on 2020/21, it is difficult not to view the year just past as being anything other than exceptional in terms of its impact on our staff, the NHS and the population as a whole.

Since taking up the role as Chief Executive at the beginning of November and in my previous role as the Director of Nursing, Midwifery and Allied Health Professionals I have been very proud of the outstanding response from our staff, partners and the public in addressing the challenges that COVID-19 has presented, often in the most difficult of circumstances. The impact of COVID-19 has been enduring and through both Operation Rainbow and Operation Snowdrop exceptional steps have been required to protect the public and meet surges in activity, whilst maintaining access to critical and protected services.

I would like to express my thanks and appreciation to all our staff for their fantastic contribution and for their relentless support and professionalism. The care and compassion shown to patients and to colleagues has been exemplary. All of us have had many moments of quiet reflection and our thoughts are with those families who have suffered personal loss at this time. Their lives and memories will never be forgotten.

I would also wish to thank all our partners for their support – our care homes, local authorities, our national health services colleagues and local resilience partnership members. The changes that you have helped us make have been essential in managing the impact of COVID-19, redesigning how the public access health and social care and implementing a range of public protection measures; for example Humanitarian Assistance, Test and Protect and the vaccination programme which has been the largest immunisation programme undertaken since the establishment of the NHS. Our response has been enabled by whole system co-ordination and collaboration, the strength of our local Health and Social Care Partnerships and the generous support from the public who have been a great credit to all in the North East of Scotland. For your support we are truly grateful.

In the overview of the year, I usually set out the progress that we have made and celebrate our successes in the last 12 months. Whilst wishing to acknowledge the significant progress during 2020/21, including the commencement of construction of the Baird Family Hospital and ANCHOR Centre and the numerous redesigns and innovations undertaken across a significant number of our services, we know that the following months will present new challenges for our staff and the public as we support the recovery of our staff and the remobilisation of services.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

2. Statement from the Chief Executive (cont)

Continuing to respond to COVID-19 will be a factor for the foreseeable future and we are redesigning our services to ensure that we can continue to meet the health and social care needs of our population and provide a safe environment for our staff and most vulnerable patients.

Many of these changes will allow us to provide a greater level of care in our communities and build on the excellent foundations established through the integration of health and social care.

During this period your support will be important, and I would thank you in advance for working with our staff and services as we make the necessary changes over the coming months.

I look forward to working with the Board, System Leadership Team, our staff and partners in addressing the challenges that we face, developing our future strategy and continuing to provide the quality of care that our key stakeholders and the people of Grampian expect from us.

Finally, I would wish to acknowledge my predecessor Professor Amanda Croft who led the organisation through the first COVID-19 response and for the contribution she made to NHS Grampian as Chief Executive and in her previous roles.

It has been my privilege to take over the leadership of organisation at this time and I am incredibly grateful for your support and in particular the way everyone has worked together recently to meet the challenges of this pandemic.

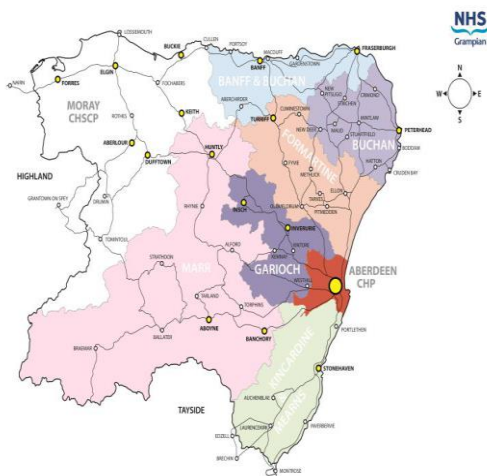
Professor Caroline Hiscox

Professor Caroline Hiscox
Chief Executive

PERFORMANCE REPORT (cont) OVERVIEW (cont)

3. Background and Principal Activities

Grampian Health Board is responsible for leading efforts to improve the health of the people in Grampian, and for providing the health care services that people need. We also provide some specialist clinical and support services to other NHS Boards within the North of Scotland.



17,700 directly employed staff and a range of independent primary care practices (72 General Medical, 132 Pharmacy, 91 Dental and 57 Opticians) provide the full range of primary, community and specialist health services to the half-million people who live in Grampian.

Services are provided at over 100 locations and where possible in people's own homes across an area covering 3,000 square miles of city, town and village and rural communities.

We are the fourth largest health board in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Mental Health Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the three Integration Joint Boards (IJBs) covering Aberdeen City, Aberdeenshire and Moray.

All our direct clinical services are supported by corporate functions such as Facilities, E-Health, Finance and Human Resources. The IJBs are legally constituted cross sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities.

Executive Director and Non-Executive members of the NHS Grampian Board are members of the Integration Joint Boards which provide the strategic direction for the integration of adult health and social care.

The Scottish Government established a new body, Public Health Scotland, on 1 April 2020 in order to support and enable national and local partners in the wider public health system across Scotland to work together to improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland web site at the following link <https://www.publichealthscotland.scot/>

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

4. Non-Financial Performance

NHS Grampian has a performance framework through which a culture of continuous performance improvement is supported. Our vision, proudly working together to improve our health, is supported by a set of strategic themes:

- Improving health and reducing inequalities;
- Delivering high quality care in the right place;
- Involving our patients, public, staff and partners; and
- Developing and empowering our staff.

The core values of the Board are caring, listening and improving. These values are embedded in everything we do in making the vision a reality.

During 2020/21 the Board has successfully met its financial targets while continually striving to meet the challenges presented by the global pandemic (COVID-19) and to deliver safe and effective services within available resources and following national guidance.

Performance against the key national clinical treatment targets have clearly been impacted by the changes made in support of the COVID-19 response. Within this section of the annual report and accounts we have summarised the impact COVID-19 has had on the organisation and the corresponding position in relation to our operational activity and performance.

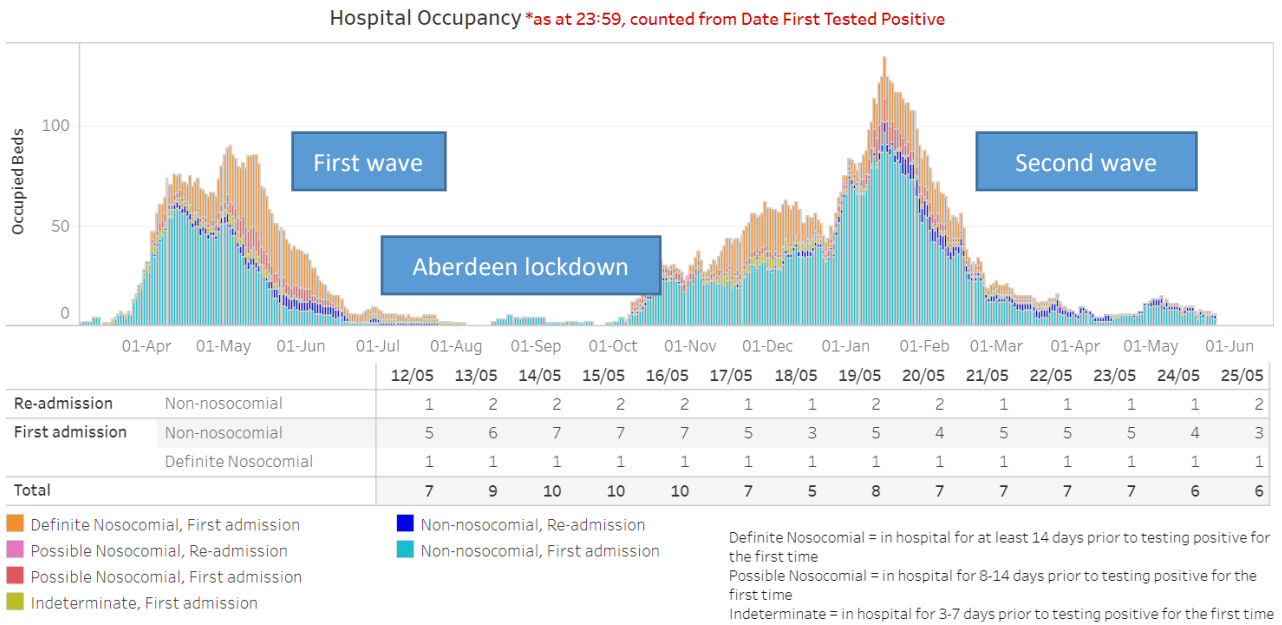
4.1 Responding to COVID-19

Following the publication on 3 March 2020 of a coronavirus action plan by the governments of the UK and the subsequent declaration of a global pandemic, NHS Grampian was required to implement a response to ensure that there was effective co-ordination of arrangements for the efficient, safe clinical management of COVID-19 cases (and suspected cases) and delivery of critical and protected services. NHS Grampian also had a key role in supporting the public health response and the measures which were implemented during the year – Test and Protect (including the provision of test and contact tracing), a COVID-19 vaccination programme and support and advice to care homes, workplaces and the general public being examples of these measures.

A governance structure for COVID-19 within NHS Grampian was enacted in shadow form on 14th February 2020 and went live on 12th March 2020. These governance arrangements were subsequently adapted and changed during the year to reflect the level of response determined nationally and in relation to the NHS Grampian civil contingency plan. These governance arrangements set out the framework for direction and decision making, escalation, advice and communication within the various facets of NHS Grampian and in partnership with Integration Joint Boards, Local Authority and other statutory partners. NHS Grampian provided regular remobilisation plans and reporting to the Scottish Government via the agreed mechanisms.

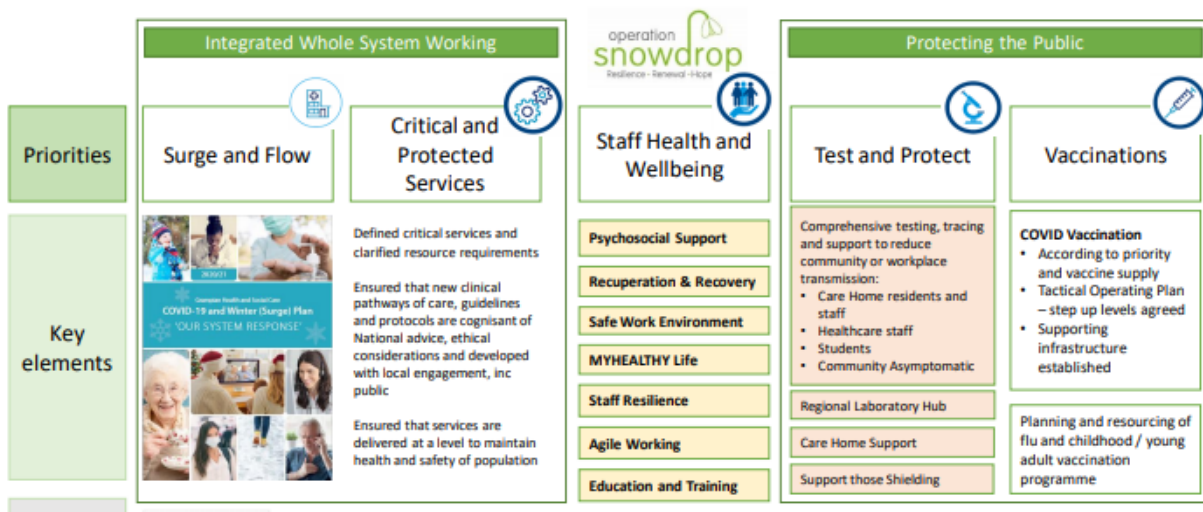
PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.1 Responding to COVID-19 (cont)

The impact on the NHS, our partner organisations and the public was significant; with the diagram below setting out the levels of hospitalisation for COVID-19 patients during the first and second COVID-19 waves and the Aberdeen lockdown in August 2020.



1

Under the emergency provisions implemented, NHS Boards were required to follow national direction and guidelines with the arrangements implemented in response being reflected in the COVID-19 response and remobilisation plans developed by each Board. These plans set out the detail of the Board’s response to the COVID-19 situation and planning for the adaption and delivery of services. Within NHS Grampian the two main phases comprised Operation Rainbow (April to May 2020) and Operation Snowdrop (December to March 2021). The key elements of the latter Operation Snowdrop are set out below:



¹ Nosocomial – refers to a disease / case originating in a hospital setting.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.1 Responding to COVID-19 (cont)

In line with the national guidance, NHS Grampian moved out of Operation Snowdrop on 31 March 2021, with the focus now on the following as reflected in our latest plan:

Responding to COVID-19	<ul style="list-style-type: none"> • Staff Health and Wellbeing • Test and Protect • Critical and Protected Services • Vaccinations • Responding to COVID-19 Surge • Surge and Flow
Recovery	<ul style="list-style-type: none"> • Staff recovery and recuperation – tailored for individuals/teams • Understanding impact of COVID-19 • Supporting community resilience 
Re-Mobilisation and Renewal	<ul style="list-style-type: none"> • Whole system pathway approach • Embedding existing changes • Addressing backlog and inequalities gap • Realistic medicine • Sustainability • Fully engaged population 

4.2 Impact of COVID-19

The response to COVID-19 has had a profound and significant impact on our ability to provide services during 2020/21.

As set out in the Governance Statement, the Board maintained a comprehensive system of governance throughout the year. Following approval of the initial changes to the governance arrangements in April 2020, the Board's clinical and staff governance committees met on a monthly basis during the 1st COVID-19 wave to oversee the changes that were necessary to increase capacity and to adapt the health and social care system. This included the arrangements to oversee the induction of nursing and medical students.

The Board sub-committees have continued to meet during the year as set out in the Governance statement, including the recruitment of temporary staff to support the establishment of our test and protect and vaccination programmes. We currently have c1,100 temporary staff compared to c1,400 during the 1st COVID-19 wave. Funding for these additional staff has been provided by Scottish Government in line with the remobilisation plans submitted by the Board. A further remobilisation plan will be submitted during the summer setting out our resource and funding requirements for the remainder of 2021/22.

In the paragraphs below we have set out the impact on the following key aspects of the NHS services:

- Hospital occupancy
- Planned care
- Mental Health
- Unscheduled care

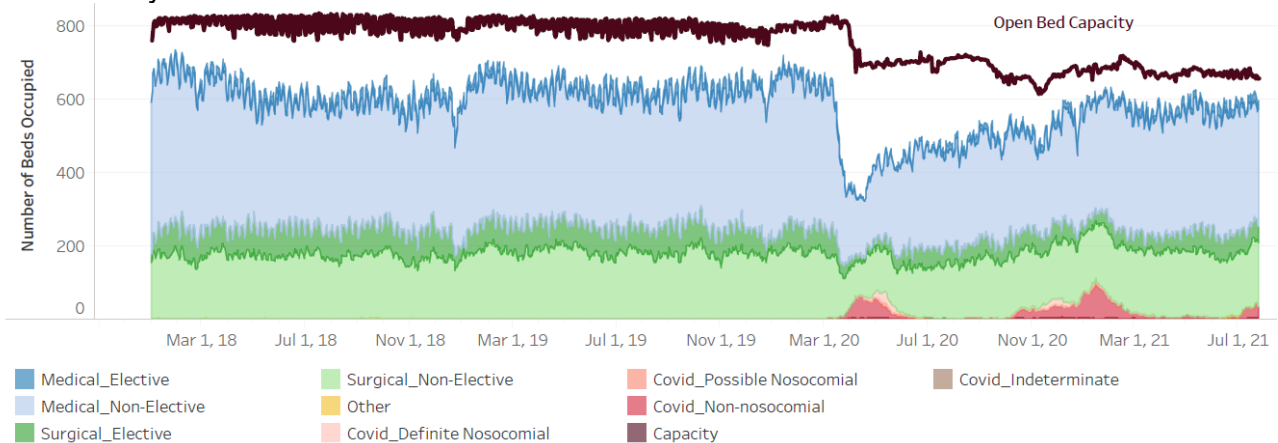
a. Hospital Occupancy

The activity levels in all the hospital sites has fluctuated significantly during the year reflecting the decisions directed regarding provision of services. During the 1st wave, NHS Boards were directed to pause all but critical and protected services and increase capacity to meet the projected impact of COVID-19 based on local, national and international modelling. We were also required to modify our hospital sites to create pathways for patients and to introduce bed spacing requirements; these steps resulted in changes to the capacity that was available throughout the year.

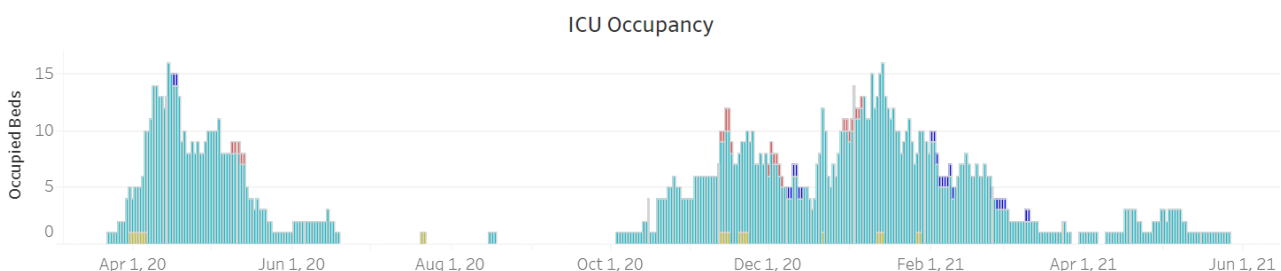
PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)
a. Hospital Occupancy (cont)

NHS Boards were required to change and adapt their health and social care systems to ensure that they had the required capacity to meet predicted demand for bed and ICU capacity arising from COVID-19 admissions, as well as maintain access to services necessary for the preservation of life or reduction in immediate harm. These were defined as critical and protected services. During the 1st COVID-19 wave and as a result of the uncertainty of the impact of COVID-19 cases on health services at that time, the list of critical and protected services was more restricted than during the 2nd COVID-19 wave when the range of critical and protected services was extended and covered provision of access to priority planned care cases, as defined by a clinical prioritisation process that was already in operation within NHS Grampian.

In line with our remobilisation plans, services recommenced during the summer and autumn periods; including planned care. At the end of the calendar year 2020, the Board were required to revise plans to respond to the second wave of COVID-19 cases, whilst maintaining access for normal winter pressures and planned care based on clinical priority. The diagram below sets out the changes in bed occupancy at Aberdeen Royal Infirmary over recent years, highlighting the variation in activity and pressures on bed capacity across the year.



Similar patterns of high occupancy were experienced across other major sites in the last six months of 2020/21 at Dr Gray’s Hospital, Royal Cornhill Hospital and community hospitals. We would also acknowledge the significant contribution of care homes during the year and the changes that they made in response to the COVID-19 pandemic. Throughout the year, the intensive care unit also had to adapt and increase capacity in order to support both COVID-19 patients and non-COVID-19 critical care patients, as well as operate as the national centre for Extra-corporeal Membrane Oxygenation (ECMO).

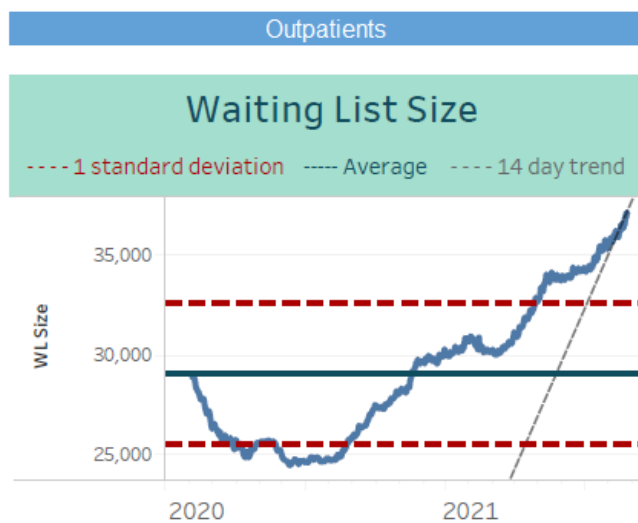
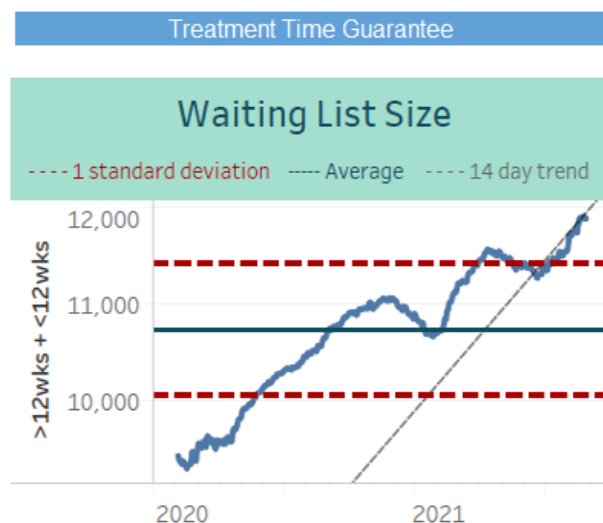


PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)

b. Planned Care

The need to establish capacity to meet the COVID-19 demands placed on health and social care required significant changes in the level of planned care available during 2020/21. During the 1st COVID-19 wave all planned surgery, with the exception of cancer, was paused, with subsequent surgical capacity during the remobilisation period from July to November and the 2nd COVID-19 wave (December to March) being restricted by capacity constraints necessary to follow national guidelines (to protect patients and staff) and the need to continue to adapt to meet the numbers of COVID-19 admissions. Whilst access to outpatient clinics was maintained using a combination of face to face consultations and tele-medicine, the capacity available has not been sufficient to meet demand resulting in an increase in overall waiting list size during the year.

The requirement to adapt services to respond to COVID has resulted increases in the waiting list sizes for both new outpatient appointments and treatment. The tables below set out the increases in both the waiting times for treatment (under the Treatment Time Guarantee) and the number of patients waiting for a first outpatient appointment, together with an analysis of the numbers of patients waiting by clinical speciality:



Specialty Waiting List Size

Highlighting goes from green (shrinking) to red (increasing)

	30 Apr	31 May	30 Jun	24 Jul
Cardiology	198	182	185	205
Ear, Nose & Throat (ENT)	1,141	1,156	1,177	1,187
General Surgery (excl Vascular,...)	1,815	1,845	1,936	1,986
Gynaecology	793	802	816	829
Ophthalmology	979	921	970	1,042
Oral and Maxillofacial Surgery	623	629	641	645
Plastic Surgery	448	468	486	489
Trauma and Orthopaedic Surge...	3,373	3,276	3,296	3,345
Urology	988	964	962	949
Other	1,081	1,116	1,178	1,223
Grand Total	11,439	11,359	11,647	11,900

Specialty Waiting List Size

Highlighting goes from green (shrinking) to red (increasing)

	30 Apr	31 May	30 Jun	24 Jul
Cardiology	1,431	1,561	1,734	1,934
Ear, Nose & Throat (ENT)	2,775	2,899	3,045	3,172
General Surgery (excl Vascular,...)	2,212	2,350	2,209	2,438
Gynaecology	1,737	1,931	2,161	2,315
Ophthalmology	3,601	3,803	3,974	4,145
Oral and Maxillofacial Surgery	881	682	555	565
Plastic Surgery	595	533	620	623
Trauma and Orthopaedic Surge...	5,075	4,949	4,965	4,886
Urology	2,419	2,473	2,513	2,453
Other	13,362	13,083	13,979	14,618
Grand Total	34,088	34,264	35,755	37,149

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)
b. Planned Care (cont)

Outpatients

The Board rapidly implemented remote consulting using the Near Me technology in the early stages of the financial year, with 30% of new and return outpatient appointments currently being undertaken in this way. Overall capacity has increased in recent months as the pressures resulting from the 2nd COVID-19 wave eased and further steps will be taken in the coming months as part of the waiting times improvement programme.

Treatment Time Guarantee and Cancer

Through whole system redesign protected beds have been established for the highest priority surgical patients since December 2020. As a result of this change and a reducing bed requirement for COVID-19 patients, activity across all elective care classifications has increased since February 2021.

Cancer performance against the 31 day standard has been above the 95% target for the majority of the year and the 62 day performance higher than in the prior year. However, this improvement in performance has to be viewed in the context of fewer cancers having been detected and treated during 2020/21 compared to prior years. Cancer recovery is a key and immediate focus of attention for the Board. For cancer patients we have secured dedicated additional capacity at the private BMI Albyn Hospital until the end of June 2021, increased the urology service at Dr Gray's Hospital in partnership with NHS Highland and established additional clinics in the Breast service.

In terms of 2021/22, discussions have been progressed with the Scottish Government Access Team and Centre for Sustainable Delivery in support of our plans for increasing capacity and optimising use of existing resources.

Grampian has an established and tested prioritisation system for planned care. This ensures that all urgent and priority patients are identified following determination of treatment and that patients are seen according to clinical need. Capacity building has been targeted at urgent and priority patients (Elective Surgery Category System (ESCatS) 0 and 1 including cancer) and to address long waiting patients.

Patients on our treatment time guarantee waiting list (~10k) have received an explanatory letter with an apology for the delay and highlighting escalation routes for them to raise concerns relating to their health. Patients waiting over 52 weeks (~4k) have also been contacted and invited to feedback on the quality of life impact on them to inform how we can reflect their needs into our remobilisation planning. We are currently evaluating the feedback that has been received to inform our recovery and remobilisation plans and activities.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)
b. Planned Care (cont)

The Board's remobilisation plan sets out the details of the options available to increase capacity to address the backlog of patients waiting for elective surgery. These plans are in line with the waiting list improvement plans submitted in prior years, with the main changes being the uncertainty regarding available bed capacity due to ongoing COVID-19 admissions and other restriction required to maintain a safe environment for patients and staff. We continue to operate at a level of bed and theatre capacity lower than that prior to the COVID-19 pandemic. The time period to reduce the current backlog is as yet unknown.

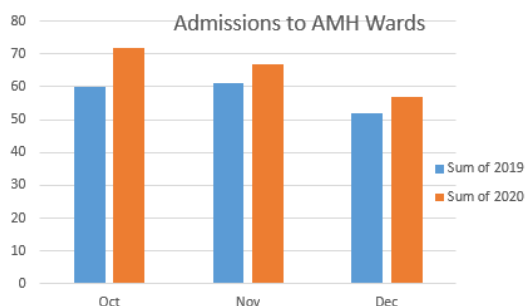
c. Mental Health

The impact on the health, wellbeing and mental health of our communities has been a key focus of the Board during the last financial year and we welcome the additional funding that is being made available to support future developments in areas such as Child Adolescent Mental Health Services, Perinatal Mental Health and Psychological Therapies.

As one of the protected services, access to mental health services was prioritised throughout the last financial year.

Specialist in patient provision – Royal Cornhill Hospital

Access for inpatient services was protected, with adaption required to the bed base to meet COVID-19 requirements. The inpatient services have experienced pressures in recent months with the position during the last quarter of 2020 set out below:

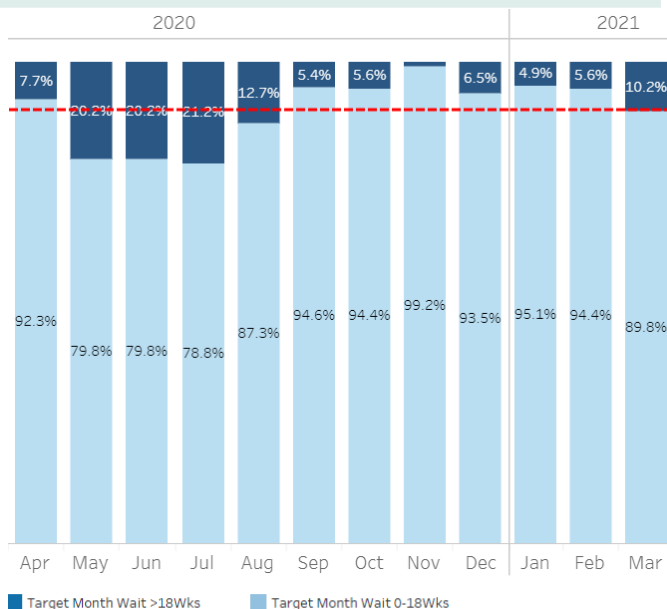


% Occupancy in the Adult Wards has increased by 23% from the last 3 months in 2019 compared to the last 3 months in 2020. Length of stay has also increased. In December 2019, length of stay was 23.3 days and by December 2020 length of stay had increased to 28.1 days. The pressures on capacity have remained since December and additional measures are being implemented to support services provided at Royal Cornhill Hospital.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)
c. Mental Health (cont)

Child Adolescent Mental Health Services

Trend of Percentage Compliance of CAMHS Patients Treated by Month



Prior to COVID-19, the service had implemented a service redesign and relocated to a purpose designed and integrated new facility in Aberdeen. As a result of the changes made and the ability to offer access to support virtually, the service has been able to maintain timely access during the year with performance above the 90% national standard, with the exception of the period May to Aug.

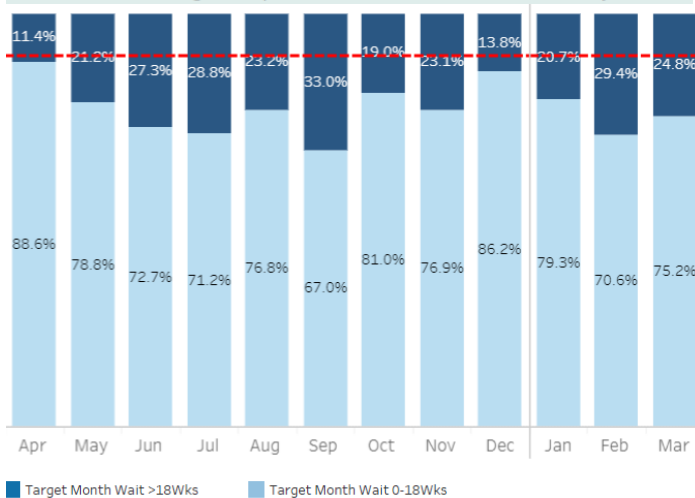
In the latter stages of the financial year the service has seen an increase in referrals and are developing plans to utilise the additional funding that has been made available by Scottish Government.

Psychological Therapies

At an early stage in the COVID-19 response, the Board implemented a psychosocial hub to provide access and support to staff and the public given the impact of COVID-19 and the lockdown measures that have been in place. The hub was in place throughout the financial year and positive feedback has been received from those accessing the service.

In terms of the psychological therapies and access, access to services has been maintained, with the table highlighting (in light blue) the % of patients seen within the 90% national target. The performance in latter months reflecting the increasing referrals received by the service and corresponding increase in waiting times. Similar to CAMHS services, we have received additional funding to enhance capacity for psychological therapies and are developing plans to achieve this during 2021/22.

Trend of Percentage Compliance of All PT Patients Treated by Month



PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.2 Impact of COVID-19 (cont)

d. Unscheduled Care

Unscheduled care has been protected as a critical service throughout 2020/21 and the Board has implemented measures to manage surges in demand, particularly during the winter period. The Board set out the plans for managing unscheduled care in each remobilisation plan and in the Winter Surge Plan



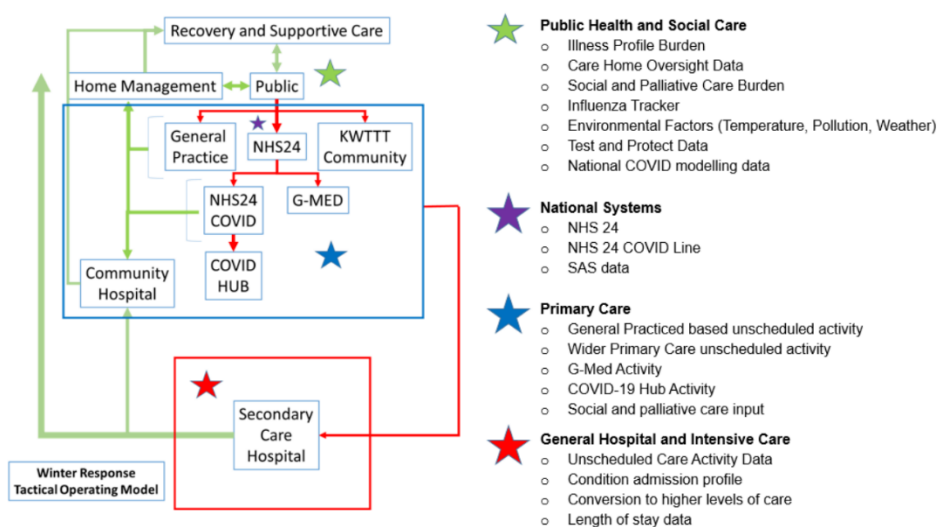
Key elements of the Winter Surge Plan response

- Redesigned Frailty Pathway and commissioned additional community beds
- Redesign of Urgent Care was assisted in reducing attendances at the main Emergency Departments
- Whilst COVID-19 hospitalisations were high during December and January, the overall winter demand was lower than in prior years (emergency admissions)
- Flow out of main hospital sites in January was constrained by community capacity (community hospitals and care homes). Position has significantly improved and would acknowledge the joint working between care homes and our staff
- Flexible, professional and dedicated staff and commitment to whole system working

In terms of performance, the 4hour ED performance has been challenged during the latter part of 2020/21 and additional measures have been implemented to increase capacity in the Emergency Department and improve flow from admission to discharge.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)
4.3 Impact of COVID-19 (cont)
d. Unscheduled Care (cont)

In addition to the winter surge plan, we were required to amend our patient pathways during the year and established a Target Operating Model (TOM) as a framework for decision making and for triggers for increasing or changing capacity depending on the changes in the requirements to both respond to COVID-19 and meet demand for critical and protected services. The TOM set objectives (as set out below) in line with the NHS Grampian COVID-19 response and remobilisation plan for services and supported a co-ordinated and integrated approach to the Board’s response during the year.



Our aim is to coordinate a whole-system response to the safe & sustainable delivery of healthcare whilst living with COVID-19 that minimises harm, maximises outcomes and enables learning, recovery and renewal to meet future needs.

1. Provision of healthcare environments that minimise the risk to staff, patients & the public.
2. Continue to provide protected & critical, clinical & non-clinical services.
3. Integrated whole system COVID Tactical Operating Model (TOM)
4. Increase volume of health service delivery, focussed on clinical priority, improving medium & long term health outcomes & ensuring patient safety.
5. Keep staff safe and maximises their wellbeing
6. Learning from the COVID period, RESET & REBUILD the NHS Grampian system with the public, our partners & our staff.
7. Plan, direct & assure whole system pathways of care
8. Plan, enable & deliver the wider determinants of population health
9. Comprehensive & ongoing engagement with our staff, partners & the public

Further details of the Board’s performance against priority performance measures agreed with the SGHSCD can be accessed on the Public Health Scotland website at the following link <https://beta.isdscotland.org/products-and-services/nhs-performs/>

PERFORMANCE REPORT (cont) OVERVIEW (cont)

5. Risk and Uncertainty

During 2020/21 the Board and the NHS more widely faced an unprecedented challenge which required significant changes to be implemented in order to respond to COVID-19 and to establish a range of new services and public protection measures – Personal Protective Equipment, Test and Protect and Vaccinations being the most significant. The challenge for the Board was to manage our risks in a way that ensured the continued delivery of critical and protected clinical services and delivered the key operational objectives set out above.

As required by the Scottish Government the Board developed and approved two initial COVID-19 response plans (March 2020) and three separate remobilisation plans (May 2020, July 2020 and February 2021).

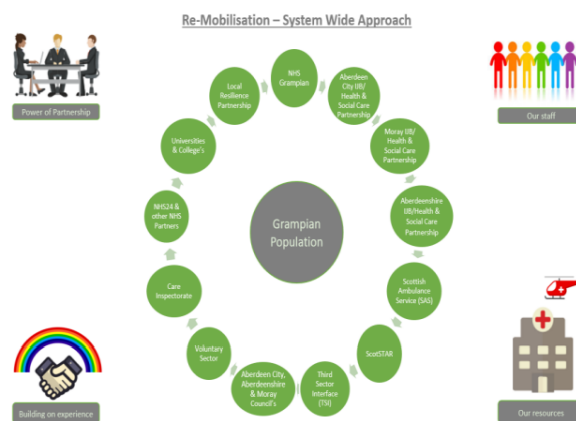
These plans were developed following consultation and engagement with clinical services, staff, Integration Joint Boards and other key partners as part of a whole system response. The extract below is taken from the Remobilisation Plan 3 (February 2021).

Consultation and Engagement

This plan is based on ongoing engagement and consultation across our key partners, including:

- Our Board and the three Integration Joint Boards (Aberdeen City, Aberdeenshire and Moray)
- Our system leadership team and system leaders across the north east through a series of facilitated sessions which also included colleagues from the Scottish Ambulance Service, Third Sector and the North of Scotland Planning Group
- The three local authorities - Aberdeen City, Aberdeenshire and Moray
- Area Clinical Forum (ACF), Clinical Board and Area Partnership Forum (APF) representing our professional, advisory and staff side partnership within NHS Grampian
- A series of staff and patient representative focus groups.

We would particularly acknowledge the significant contribution from the three Health and Social Care Partnerships (HSCPs), the three Local Authorities, the Local Resilience Partnership (LRP) and local communities who have provided invaluable support, resources and advice during the COVID-19 response and in the planning for re-mobilisation.



Each of these plans set out an assessment of the key priorities, challenges and risks facing NHS Grampian and how these will be mitigated. Moving forward the Board will continue to build on the relationships we have with key partners to embed the many transformational changes and initiatives introduced to our core services as part of our COVID-19 response and remobilisation efforts. The Integration Joint Boards (IJBs) in particular, provide a focus for effective engagement and delivery of our clinical strategy through a sustainable shift in the balance of care to community-based services

The risk plan submitted in the most recent remobilisation plan (February 2021) is set out on pages 15 to 18 below. The Board's risk management processes are covered in more detail in the Governance Statement on pages 52 to 54 and the actions taken in the year to mitigate the strategic risks on pages 54 to 61.

Key Risk/Hazard	Actions to Mitigate/Manage
<p>Establishment of revised operational and tactical models</p> <p>Risk that the health and social care system has not been re-configured to meet the projected capacity requirements in response to address the priority health and social needs of our population including backlog; whilst remaining agile to respond to ongoing COVID-19 outbreak, surge and winter illnesses.</p>	<p>Tactical Operational Model (TOM-WR) has been adapted to clarify the role of each partner organisation, service and site whilst living with COVID-19 and managing levels of surge.</p> <p>A number of scenarios have been set out within the plan against which the TOM has been set to ensure that we are clear on the service changes and escalations that will be required to adapt to a number of different situations.</p> <p>Decision framework rolled out across all clinical areas to ensure there is clarity regarding any changes in protected and critical services and urgent and non-urgent services.</p> <p>Testing undertaken to ensure that we can be assured regarding the ability to match workforce with changes in the operational requirements to support the agility that may be required to support the re-mobilisation of services.</p>
<p>Establishing a supportive culture</p> <p>Risk that we do not follow through on the commitment to make staff health and wellbeing a priority, alongside developed plans to recruit and retain the skills and workforce required to support our strategic ambitions for health and social care in the region.</p>	<p>We have plans to improve recruitment and retention and address those areas where we have shortage of staffing and/or skills and experience in the short and longer term. This will be supported by opportunities for flexible working, clearer career pathways and education, training and development.</p> <p>We will support those who have returned to the service during COVID-19 to stay.</p> <p>Delivery commitments will only be made where we have a clear workforce plan to support them.</p> <p>The plan sets out the Board's commitment to promoting a supportive and positive culture across all areas, where innovation and staff health and wellbeing will be a key priority and outcome.</p> <p>There will be regular communication with staff and we will use the guidance and risk assessments within the Safer Workplaces Framework available to all staff, to promote individual discussions with each staff member regarding how we can continue to support their wellbeing.</p> <p>We have established a range of support mechanisms that staff can access to help them as required and appropriate to their individual needs.</p>

Key Risk/Hazard	Actions to Mitigate/Manage
<p>Addressing inequity and reducing health inequalities</p> <p>Risk that we do not address the inequity and inequalities that existed across the region before the pandemic and which have been further highlighted during the COVID-19 response.</p>	<p>We will work with our community planning partnerships to support the development of place-based support and drive local improvements in population health. This will involve building on and strengthening the existing partnerships we have across the region.</p> <p>Aim to follow through on our strategic commitment to long term planning for action on inequalities to be central to everything that we do. That means committing to prevention, education, self-management, ensuring equity of access to care and using our influence to improve the wellbeing of communities and support local economies.</p>
<p>Agility within our workforce to respond to changes</p> <p>The risk of not being able to match staff resources and the appropriate skills and expertise to meet requirements.</p> <p>There is a risk that an adequate whole system (including corporate teams and cells) response cannot be provided to support flow given reduced bed footprints; slower processes with managing COVID-19 risks; anticipated peaks; and health debt reducing ability to 'turn down services' traditionally reduced over winter.</p>	<p>We are implementing a whole system approach to planning for service redesign and transformation based on the principles of retaining agility of mobilisation of resources.</p> <p>All staff are involved in decisions regarding their deployment and Near Me and Microsoft Teams is now mobilised across Grampian to facilitate remote working and minimise unnecessary travel. We are embracing new ways of working across the whole system with clear pathways developed at the primary / secondary care interface. This will ensure a reactive service with the ability to mobilise additional staff where pressure is greatest with early identification of resources to manage conditions at an early stage and support clinical care with appropriate pathways to primary care and mental health.</p> <p>Flexible staff rotas, staggering of clinical appointments and extended operational hours to increase access where possible.</p> <p>Develop supportive collaborative working arrangements with all primary care contracted services and between primary and secondary care through our clinical interface arrangements.</p> <p>Increased staffing capacity in teams to provide additional cover and resilience and support rapid clinical assessment, appropriate clinical supervision and competency.</p> <p>Protocols for supporting modes of engagement with patients, provision of appropriate ICT resources, identification of individual training needs and auditing of delivery modes.</p>

Key Risk/Hazard	Actions to Mitigate/Manage
<p>Continuity of support for social care providers</p> <p>Risk that the appropriate support is not established to sustain the resilience of social care providers and ensure that appropriate clinical and professional advice is available.</p>	<p>Continuity of the arrangements implemented during the COVID-19 response to support the care home sector.</p> <p>We will work with the care sector (care at home and care homes) and third sector to widen support to maintain and improve access to support, implement the principles of Home First, improve quality where required, and address any actual or perceived fragmentation across the region in terms of co-ordination of planning and resources to ensure the best outcome for those residing in their own home or a care home.</p>
<p>Implementation of appropriate measures to manage outbreak</p> <p>Risk that there is not a co-ordinated and resourced approach to minimising the risk of future waves (or reducing the impact of local outbreaks) or implement appropriate measures to reduce the risk of infection.</p>	<p>Comprehensive Test and Protect programme in line with national requirements and guidelines, supported by use of data and health intelligence analysis to ensure monitoring of any changes in communities or within vulnerable locations.</p> <p>Implementation of infection prevention measures and physical / environmental changes across all sites in line with national guidance and Safer Workplace Framework; minimising requirement for patients to travel through use of telephone consultations and triaging; controls over access to sites and establishment of green pathways within NHS sites and use of PPE in line with professional guidelines.</p> <p>Planning for mass immunisation programme to match available vaccine.</p>
<p>Innovation</p> <p>Risk that we do not learn and build on the scale of change that was enabled by clinical and support staff to rapidly change how they work during the initial COVID-19 response.</p>	<p>We are reviewing the approaches and measures taken during the pandemic to inform future change and the impact of the resulting changes for patients and staff, particularly in general practice and elective care, which have seen the greatest shifts.</p> <p>Digital infrastructure and tools will be built with transparency and involvement from the public and health and care staff to promote co-development and engagement.</p> <p>We will take steps to prevent digital technologies entrenching or widening health inequalities. This will build on existing initiatives that seek to address inequity in access to digital skills and infrastructure.</p>
<p>Prioritising flow and clinical threshold</p> <p>Admission flow into major receiving sites unable to cope with demand on capacity.</p>	<p>The principles of clinical prioritisation will continue to apply across all services as we seek to manage demand and capacity, ensure that we address the backlog of activity in clinical priority order and ensure that we adopt a whole system approach to our planning.</p>

Key Risk/Hazard	Actions to Mitigate/Manage
<p>Loss of workforce</p> <p>Risk of a reduction in available workforce due to impact of the COVID-19 response in the short and medium term.</p> <p>Note</p> <p><i>In a number of key areas we have higher than Scotland average dependency on locum and agency staffing: Locum – key areas will (include Dr Gray's, anaesthetics and radiology) and Nursing – key areas (will include critical care and theatres).</i></p>	<p>All clinical and non-clinical areas will assess the impact to services with any changes in available capacity. These plans will be developed and co-ordinated across the key operational areas.</p> <p>We are monitoring on a regular basis the changes in availability of workforce and the impact on resilience of services through the daily Situation Report (SITREP) requests.</p> <p>A core priority for the next 12 months will be to support staff during a period of recovery and recuperation and to support them and their families.</p>
<p>Vaccination programme</p> <p>Risk to the delivery of the vaccination programme given the complexity of the logistics regarding vaccine supply, booking and availability of vaccinators.</p>	<p>Our Tactical Plan for the implementation of the vaccination programme has a number for scenarios set out which will allow the flexing and increasing of capacity to meet any changes in the vaccine supply. This includes the use of a combination of large and local centres reflecting the geography of the Grampian area.</p> <p>We will adopt the national booking system to ensure that people can secure slots in the priority groups.</p> <p>We have undertaken a mass recruitment campaign and will continue to evaluate all options to support the vaccine rollout at all scenarios projected in the plan.</p>
<p>Impact of EU withdrawal</p> <p>Risk to continuity of services arising from the uncertainty regarding the arrangements for the withdrawal of the UK from the European Union later this calendar year.</p>	<p>We have continued to maintain our BREXIT co-ordinating group established with executive leadership.</p> <p>We will continue to engage with and support staff who <u>may be impacted</u> by withdrawal of UK from the EU.</p> <p>We will ensure that we continue the co-ordination of our planning with professional leads across Scotland and at SG - procurement, medicines, staff and resilience.</p> <p>We will update our contingency plans taking on board the lessons gained during COVID-19 to ensure that we are in a position to sustain services following formal withdrawal from the EU.</p>

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

6. Clinical Strategy

The Grampian Clinical Strategy for 2016-2021 was approved by the Grampian NHS Board in October 2016 following extensive discussion and engagement with staff, partners and the public. It was intended to review the Clinical Strategy during 2020/21 but for the reasons of COVID-19 this was deferred until April 2021.

The Clinical Strategy is being reviewed during 2021/22 alongside the development of the Board re-mobilisation plans in line with the Scottish Government phased response to living with COVID-19.

A multi-agency meeting was hosted by the Board in April 2021, at which the process for developing the strategy and communication and engagement was presented. It is intended that the new strategy will be developed and considered by the Board towards the end of the 2021/22 financial year.

The strategy will set out the direction, ambitions and high-level priorities for the recovery from COVID-19 and the transformation of our services in support of the delivery of safe, high quality, person-centred and sustainable clinical services over the next five years and beyond. The main focus is to ensure staff have the appropriate support and mechanisms in place to continue to work collaboratively with patients, the public and our partners to improve health and clinical outcomes for the population of the North and North East of Scotland.

The strategy is about enabling good health and wellbeing of our staff, patients and the people of the North East and North of Scotland. It will not only set out NHS Grampian's priorities, but also outline those shared priorities with health and social care partners in the North and North East of Scotland to improve population health and health equality, taking account of the changing demographics.

Projected population change – 2012-2037

Area	Growth (all)	Growth (pensionable age)
Scotland	8.8%	26.7%
Aberdeen City	28.4%	23.1%
Aberdeenshire	17.4%	37.3%
Moray	-2.2%	21.8%

The impact of COVID-19 has required the Board to review services across the whole system and we will wish to reflect on the changes made and to build on the experience of the last 12 months. The establishment of community hubs, increased use of technology to support clinical and non-clinical care and the prominence of the public health response are examples on which the foundations for further changes can be made in line with our new strategy.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)

7. Financial Performance and Position

7.1 Consolidated Accounts

The Annual Accounts consolidate the results of Grampian Health Board, Grampian Health Board Endowment Funds (a registered Charity) and the three IJBs (Aberdeen City, Aberdeenshire and Moray). The basis of consolidation, explained in note 1 Accounting Policies on page 85, is determined by the extent of control Grampian Health Board can effectively exercise over each of its partner organisations. All Trustees of the Grampian Health Board Endowment Funds are members of Grampian Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Grampian Health Board Endowment Funds into the main Board accounts. Voting membership of each of the IJBs is however split equally between members of Grampian Health Board and members of each local council. The Board therefore has exactly half of the controlling interest in each IJB and, under IAS 28, is required to consolidate only this share of the net assets, as a Joint Venture, in to the main Board accounts.

The financial impact of consolidation is summarised below:-

Partner Organisation	Reported Net assets 2020/21 £000's	Consolidated Net assets 2020/21 £000's	Consolidated Net assets 2019/20 £000's
Grampian Health Board	349,986	349,986	420,340
Grampian Health Board Endowment Funds Charity	45,441	45,441	36,767
Aberdeen City IJB	18,236	9,118	1,301
Aberdeenshire IJB	20,568	10,284	59
Moray IJB	6,342	3,171	93
Consolidated Net Assets	440,573	418,000	458,560

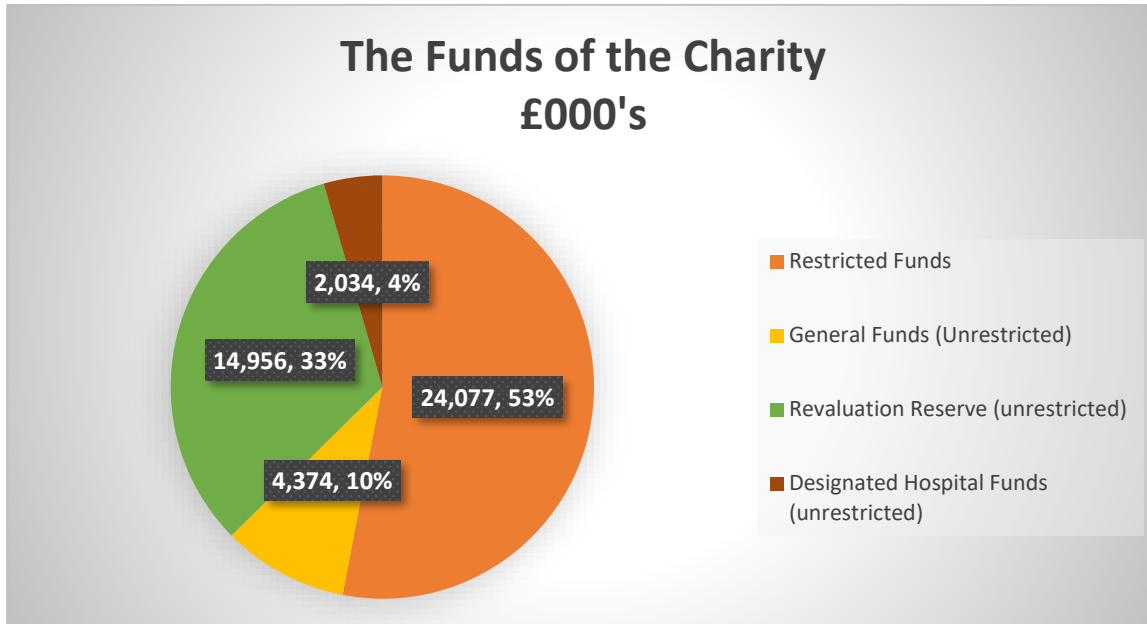
7.1.1 Grampian Health Board Endowment Funds Charity (the Charity)

The Charity had net assets of £45.441 million at 31 March 2021 (£36.767 million at 31 March 2020). The increase in net assets of £8.674 million relates to a net gain on the valuation of investments of £8.326 million (2019/20 £2.417 million loss) and a small surplus on charitable activities of £0.348 million (2019/20 £1.190 million deficit).

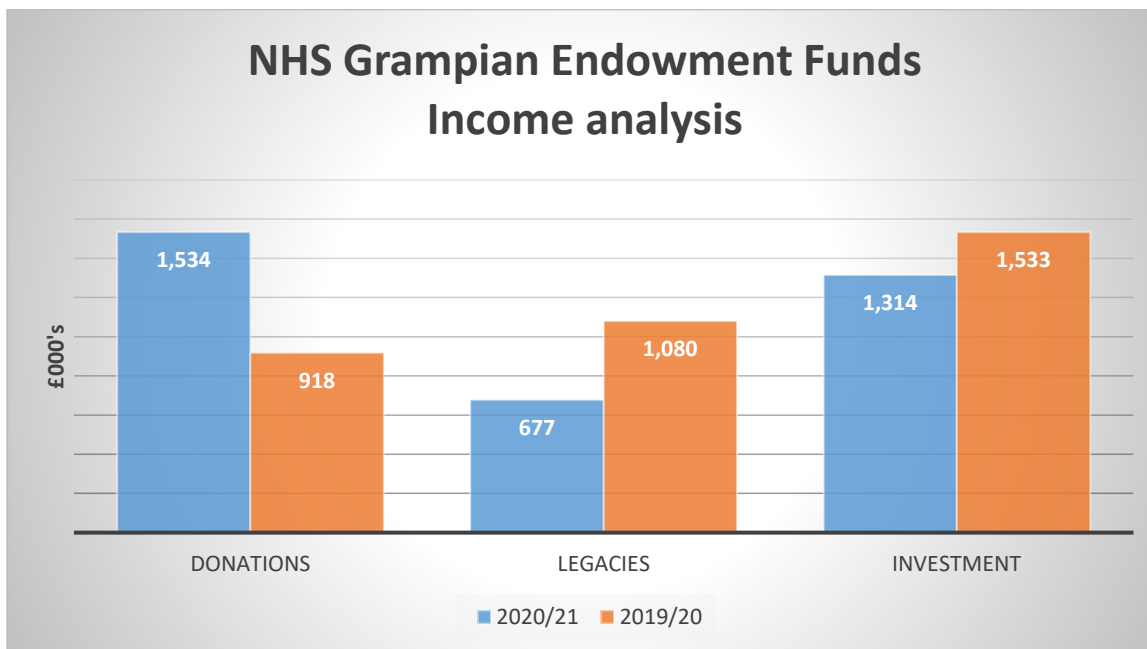
The small surplus of £0.348 million on charitable activities for the year arose mainly due to a drop in grant applications received for general and other specific purposes during the COVID-19 pandemic, when the attention of Health and Social care services and staff were understandably focused on recovery and response. These funds are available moving forward to support charitable activities as services re-mobilise and return to a more normal footing. The prior year deficit of £1.190 million reflects the utilisation of surpluses available from earlier years, ensuring that donated funds are effectively utilised in line with the charitable objectives of the Fund and in accordance with donors' wishes.

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
7. Financial Performance and Position (cont)
7.1.1 Grampian Health Board Endowment Funds (cont)

The total Funds available to the charity at 31 March 2021 were £45.441 million summarised as follows:-



Total income for the year was £3.525 million (2019/20: £3.531 million) analysed as follows:-



Although total income received in 2020/21 was consistent with the prior year, the pandemic had a significant impact on the profile of income available to the charity. Donations of £0.6m were received from our local communities specifically for COVID-19 response and recovery and a further £0.2m was received from NHS Charities together, following a national fundraising campaign. This additional source masked a drop in income from other donations, bequests and dividends on investments reflecting a shift in public sentiment towards support for COVID-19 response and many companies holding back on dividend payments to weather the economic downturn.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

8. Financial Performance and Position (cont)

7.1.1 Grampian Health Board Endowment Funds (cont)

Total expenditure for the year was £3.177 million (2019/20 £4.721 million), £2.788 million relating to grants for charitable activities (2019/20 £4.340 million), £0.187 million on staffing and support costs (2019/20 £0.189 million) and £0.202 on investment management fees (2019/20 £0.192 million).

During the year, payments totalling £2.031 million (2019/20: £1.845 million) were made to Grampian Health Board to enable a range of research and other activities for the benefit of patients and £0.099 million (2019/20: £0.152 million) was received from Grampian Health Board mainly relating to income from research activities.

Other charities and local community groups also benefitted from grants during the year to support a range of activities to improve the health and wellbeing of the people of Grampian.

The full range of charitable activities of the Grampian Health Board Endowment Funds, including a copy of the 2020/21 annual report and accounts can be viewed at www.nhsgcharities.com.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

9. Financial Performance and Position (cont)

7.1.2 Integration Joint Boards (IJBs)

The three local Grampian IJB's have been key partners and enablers to the whole system co-ordination and collaboration of the response to the COVID-19 pandemic. Consequently, during 2020/21, with the whole Health system operating under emergency provisions many of the core services provided within each of the three IJB's were paused or operating at reduced capacity in order to focus on the response and to ensure services were operating according to public health and Scottish Government guidelines. In all three IJB's this downturn in activity helped mask the underlying financial challenges, in particular where demographic and demand pressures continue to see higher numbers of people receiving support in the community.

The challenges of managing the impact of the pandemic did however encourage developments in digital innovations, shifting the balance of care and preventing admissions, and the community engagement agenda across all three IJB's. The maturing whole system partnership arrangements will be key to embedding the learning and transformational changes and initiatives arising from the recovery and remobilisation plans, in to clinical strategy and core service provision moving forward.

The reported financial results for each of the IJB's is summarised below:

7.1.2.1 Aberdeen City IJB

Aberdeen City IJB reported an overall surplus of £15.634 million for the year (2019/20: £2.976 million deficit), increasing the retained reserves carried forward to £18.236 million (2019/20 £2.602 million). This reflects:

- An increase in the general risk fund of £1.229 million to £2.5 million (2019/20 £1.271 million) made possible due to an underspend against the revenue budget arising from the impact of the COVID-19 pandemic on mainstream services which were operating on mainly an emergency basis throughout the year,
- An increase in earmarked reserves of £14.404 million to £15.735 million (2019/20 £1.331 million) due to the allocation of funding to the IJB late in the financial year by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund.

A copy of the 2020/21 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.1.2.2 Aberdeenshire Integration Joint Board (IJB)

Aberdeenshire IJB reported a surplus for the year of £20.449 million (2019/20: deficit of £1.288m) increasing the retained reserves carried forward to £20.566 million (2019/20 £0.117 million). This reflects:

- An increase in general reserves to £4.597 million (2019/20 nil) due to a number of factors which emerged since the beginning of April 2020. These included underspends on some social care services due to them being paused or operating at reduced capacity, continued savings on community hospital costs due to reduced capacity and savings on travel, transport and training related expenditure.
- An increase in earmarked reserves of £15.852 million to £15.969 million (2019/20 £0.117 million), due to the allocation of funding to the IJB late in the financial year by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund and by NHS Grampian for a project to relocate dental services.

A copy of the 2020/21 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

7.1.2.3 Moray Integration Joint Board (IJB)

Moray IJB reported a surplus for the year of £6.155 million (2019/20: deficit of £0.070m) increasing the retained reserves carried forward to £6.342 million (2019/20 £0.187 million). This reflects:

- An increase in general reserves to £1.597 million (2019/20 nil) made possible due to an underspend against the revenue budget arising from the impact of the COVID-19 pandemic on mainstream services which were operating on mainly an emergency basis throughout the year,
- An increase in earmarked reserves of £4.557 million to £4.744 million (2019/20 £0.187 million) due to the allocation of funding to the IJB late in the financial year by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund.

A copy of the 2020/21 Moray IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

The results of each of the partner organisations, although consolidated with the main Board accounts for group accounting purposes, do not form part of the statutory financial target set for NHS Boards by the (SGHSCD) and are therefore not taken in to account when considering the Board's in year financial performance. The three annual financial targets set for each Health Board by the SGHSCD are:

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

Health Boards are required to contain their net expenditure within these limits, and report on any variation. Grampian Health Board has successfully achieved all three financial targets for the year reporting an outturn against these set limits as follows:

Statutory Financial Targets	Limit as set by SGHSCD £000's	Actual Outturn £000's	Variance Under £000's
Core Revenue Resource Limit	1,278,771	1,278,002	769
Non-Core Revenue Resource Limit	32,340	32,340	-
Total	1,311,111	1,310,342	769
Core Capital Resource Limit	42,246	42,246	-
Non-Core Capital Resource Limit	1,070	1,070	-
Total	43,316	43,316	-
Cash Requirement	1,298,124	1,298,124	-

Memorandum for In Year Out-turn	£000
Core Revenue Resource Variance Surplus in 2020/21	769
Financial flexibility : funding banked with Scottish Government	0
Underlying Surplus against Core Revenue Resource Limit	769
	0%

The Board is reporting an underspend of £0.769m against a target of breakeven on the revenue resource limit for 2020/21. 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 2020-21 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Grampian received £47.3m. The flexibility allowed within the previously agreed three-year financial planning and performance cycle, allowed NHS Grampian to bank £1m from the reported surplus in 2019/20, with the Scottish Government, for use in 2021/22.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2.1 Efficiency Savings

Efficiency savings of £6.7 million were achieved against a target of £12.2 million for NHS Grampian services, mainly from the reduction in the use of agency medical and nursing staff compared to 2019/20. Recurring savings amounted to £6.05 million and non-recurring of £0.65 million. The gap of £5.5 million was covered non-recurringly by the Scottish Government through their COVID-19 supplementary funding allocation, recognising that the focus of budget managers was not in the delivery of savings during the period of the Board being on an emergency footing.

7.2 Grampian Health Board performance against statutory financial targets

7.2.2 Financial impact of the COVID-19 Pandemic

It is important to recognise that, although there were additional direct costs incurred as a result of specific initiatives, the Board's COVID-19 recovery and remobilisation response was a whole system effort delivered under emergency provisions with the majority of our core services reconfigured to manage the impact. Accordingly many of the variations in cost between 2020/21 and 2019/20 reflect the indirect impact of the COVID-19 pandemic on staffing, activity and service levels.

The Board received a specific supplementary allocation of £48.6 million during the year from the Scottish Government to cover the additional direct costs associated with the COVID-19 response and remobilisation. The main areas incurring additional costs were in additional temporary staffing (student nurses, junior medical staff, Domestic staff, Porters and additional overtime), costs of additional bed capacity (ITU and Medical beds), loss of income (catering, retail) and spend on IT equipment. In the last quarter of the year significant costs were incurred on the COVID-19 vaccination programme, the Regional Testing Hub and Contact Tracing staffing costs.

As explained above, the Scottish Government through this allocation, also funded £5.5 million of unmet efficiency savings targets and local savings of £6.7 million were made available to cover part of these additional costs, mainly resulting from reduced levels of elective surgical and outpatient activity over the year.

In addition, the Integration Joint Boards received funding of £46.3 million to meet costs relating to health and social care services.

7.2.3 Expenditure Analysis

Net expenditure for the year was £1,375 million (2019/20 £1,194 million), an increase of £181 million over the prior year. The Consolidated Statement of Comprehensive Net Expenditure can be found on page 77, a more detailed analysis of Expenditure in note 3 on page 105 and a more detailed analysis of income in note 4 on page 106.

Staff Costs increased by £79.2 million, mainly due to the impact of additional temporary staffing (student nurses, junior medical staff, Domestic staff, Porters and additional overtime) during the COVID-19 pandemic (£31.3 million), the annual pay uplift (£29.7 million), an increase in the level of untaken annual leave (£13.1 million) and the COVID-19 supplementary payment to all Health service staff (£3.9m).

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

Independent Primary care service costs increased by £8.6 million mainly due to the additional support available to General Medical, Pharmaceutical, General Dental and General Ophthalmic practitioners, to ensure accessibility and sustainability of critical primary care services throughout the COVID-19 pandemic.

Drugs and Medical supplies increased by £13.2m mainly due to the costs incurred around PPE and testing kits throughout the COVID-19 pandemic.

Another significant area of cost fluctuation relates to a net increase in funding of £84 million passed to Integration Joint Boards – this is reflected as expenditure in the Health Boards accounts and relates to specific funding for COVID-19 related expenditure (£46.3 million), funding earmarked for specific government initiatives in community health and social care (£41.8 million) and funding to cover the costs of the pay award and supplementary pay agreement for Health and Social Care staff.

Other areas of cost fluctuation over the previous year include a reduction of £3.5 million in care purchased from private sector providers reflecting reduced activity levels during the COVID-19 pandemic, an increase of £2.9m in property related running costs, mainly essential maintenance on our ageing estate, £6.0 m in purchase, servicing and repair of low value equipment, mainly IT hardware and software, costing below the Board's capitalisation threshold and required mainly to support the roll out of remote working during the COVID-19 pandemic.

At the year end the Board provided £54 million for legal obligations arising from clinical negligence and other employer liability claims (2019/20 £51 million). Details are provided in note 13 on page 119.

The above increases in expenditure were partly offset by a corresponding increase in income of £36.4 million; £51m representing an increase in services commissioned through the Health Board by the Integration Joint Boards partly offset by a reduction in patient activity related income due to a reduction in services during the COVID-19 pandemic.

The provision for impairment of receivables is quantified at £2.6 million (2019/20 £2.3 million) and is disclosed under trade and other receivables in note 9 on page 114. The provision is reviewed regularly by management and the increase of £0.3m in 2020/21 reflects the changing risk profile in relation to several classes of debt.

7.2.4 Impact of IJBs on Health Board Accounts - pre consolidation

Each of the three IJBs in Grampian (Aberdeen City, Aberdeenshire and Moray) are established as a separate legal organisation under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and have full delegation of functions and resources, acting as principal in their own right, to enable integration of primary and community health and social care services. Accordingly, the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

The consequence of this in the Health Board's accounts, is expenditure of £637.088 million (2019/20 £552.878 million), income of £604.826 million (2019/20 £553.829 million) and a net retained reserve relating to IJB directed health services of £38.1 million (2019/20 £6.3 million). The increase in IJB retained reserves relates partly to an underspend from some core services paused or operating at reduced capacity throughout the pandemic and partly due to the allocation of funding to the IJB late in the financial year by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund and by NHS Grampian for a project to relocate dental services.

The expenditure is included in note 3 on page 105 and income in note 4 on page 106.

7.2.5 Property Valuation

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2021. The values were calculated 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 and applied to reflect local market conditions at 31 March 2021. The effect of this revaluation on individual assets was some gained value while others were impaired. The impact of those assets subject to an upward movement in valuation was an increase in the revaluation reserve of £1.026 million and assets subject to a downwards valuation seeing a reduction in the revaluation reserve of £10.132 million. Thus making the overall net impact on the revaluation reserve a reduction of £9.106 million (2019/20: £38.739 million increase). IAS 36 requires that impairments charged to the Statement of Comprehensive Net Expenditure (SOCNE) in prior years should be reversed to offset any subsequent increase in value relating to that particular asset. The net value of impairment on those assets subject to a downward movement in valuation, after utilising any available revaluation reserve, was £1.261 million (2019/20: £0.399 million impairment reversal) and this was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure.

In the valuation report at 31 March 2020 a material uncertainty was declared due to market uncertainties caused by COVID-19. The Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), defines material uncertainty as '*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.*' The valuer has confirmed that the valuation at 31 March 2021 is not reported as being subject to 'material valuation uncertainty' on the basis that some property markets are fully functional with transaction volumes returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Due to restrictions on access to the properties during the COVID-19 pandemic, the properties have generally been valued on a desktop basis at 31 March 2021, with limited external only inspections undertaken

Further information is available in the section on key sources of judgement, estimation and uncertainty in note 1 accounting policies, on page 101.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

7.2.6 Infrastructure and Non-Current Assets

The Board delivered a programme of infrastructure investment totalling £62.283 million during 2020/21. This overall programme was resourced using a combination of capital funding from the SGHSCD (£43.316 million, see note 7d), income from donations (£1.050 million), revenue budgets (£17.819 million) and £0.098 million net proceeds from asset disposals, mainly equipment.

Major investments during the year include:

- Design fees and ongoing construction of the Baird Family Hospital and Anchor Centre (£8.1 million);
- £8.6 million on backlog maintenance – £3.2m on COVID-19 related improvements to primary care premises, £0.4m on other COVID-19 related building improvements and £5m on a range of essential backlog maintenance and statutory compliance issues across the whole estate;
- Ongoing design and development costs in support of the Elective Care services project (£1.6 million). Now known as the National Treatment and Diagnostic Centre – Grampian
- Completion of Ligature reduction works in Dunnotar and Fyvie wards and continuation of the roll out of the agreed programme to Muick and Davan wards at Royal Cornhill Hospital and continuation of the programme of other non-invasive ligature reduction measures to other wards and departments at Royal Cornhill and ward 4 at Dr Gray's Hospital (£4.4 million);
- £34.1 million on essential equipment including replacement of high risk equipment across all clinical and support services and investment in new technology and additional capacity to support the COVID-19 response and re mobilisation. Specific developments in service supported during the year included expansion of ICU capacity, development of robotic assisted surgery in General Surgery and Orthopaedics and replacement of existing mattresses in hospital and community locations with new pressure relieving mattresses;

Other areas of investment included:

- £0.5 million on GP Sustainability Loans in line with the Scottish Government's GP Premises protocol;
- £0.6 million on replacement of water treatment plant in the Renal Unit at Dr Gray's Hospital;
- £0.3 million on improvements to the Birthing Unit at Dr Gray's Hospital;
- £0.6 million on the ongoing project to relocate the Brachytherapy service;
- £0.5 million on relocation of the Medical Equipment Management service (MEMS);

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

- £0.5 m contribution towards the North of Scotland Integrated Mortuary project;
- £1.8 million to capitalise property leases (Assignment of Carden Medical Group lease £1.4 million and £0.4 million for the Child Development Team accommodation at Inverurie and Lochside Academies); and
- Project direct staffing support £0.5 million,

8. Fraud, Bribery and Corruption

NHS Grampian has a zero tolerance for fraud, bribery or corruption and has robust procedures in place, which reduce the likelihood of fraud occurring. These include an agreed policy on the Prevention, Detection and Investigation of Suspected Fraud, Theft and Corruption, Standing Financial Instructions incorporating Standards of Business Conduct and arrangements for the disclosure of information in the corporate register of interests, gifts and hospitality

Staff are briefed 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 training in relation to Sickness Absence Fraud, Investigation skills and Bribery and Corruption. In addition NHS Grampian works with other organisations, including NHS Scotland 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.

The work normally performed by CFS to check the level of fraud/error in the recording of eligibility to exemption from charges, was suspended between April 2020 and January 2021 due to restrictions on provision of General Dental and Ophthalmic services during the COVID-19 pandemic. As a result, there is insufficient information available to provide a robust and meaningful extrapolation of the available data covering the year to 31 December 2020. In the year to December 2019, the extrapolation of the sample results for Grampian indicated that the level of income from dental and ophthalmic charges could potentially have been £0.3 million higher due to incorrect claims. CFS anticipate that the production of the annual Extrapolation calculation will resume in 2022.

9. Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 18 and the Remuneration Report.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

10. Payment Policy

NHS Grampian 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 and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2020/21, the average credit taken was 9 days (2019/20: 9 days). In 2020/21 97% of invoices by value (2019/20 97%) and 96% of invoices by volume (2019/20 96%) were paid within 30 days. In 2020/21 92% of invoices by value (2019/20 93%) and 91% of invoices by volume (2019/20 89%) were paid within 10 days.

11. Social Matters

NHS Grampian promotes equality and celebrates diversity both in the services we provide and within our organisation. We also take our duty to promote equality and diversity in the wider community very seriously. The challenge for the Board is to maintain the excellent progress achieved to date, taking forward work for all 9 “protected characteristics” which make up equality and diversity during the challenging times caused by the COVID-19 pandemic. These “protected characteristics”, as defined by the Equality Act 2010 are: race, disability, age, sex (male or female), sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership and religion or belief.

The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports including the following key updates on progress in 20/21:

- An NHS Grampian Equality Outcomes Report 2021-2025, detailing what NHS Grampian wishes to achieve in the sphere of each of the 9 “protected characteristics” over the next 4 years.
- An NHS Grampian “Mainstreaming” Report detailing what NHS Grampian has done in the last 2 years to make equality and diversity an integral part of the way we function as an organisation.

NHS Grampian has also published a range of other non-Statutory Equality and Diversity Monitoring Reports on a wide range of topics.

During 2020/21, over 1,500 NHS Grampian staff received Equality and Diversity Training by TEAMS at a level appropriate to their role in the organisation. Over the last three years, over 5,000 NHS Grampian staff have received this training. All of the Seminars include a section on Human Trafficking.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

11 Social Matters (Cont)

Human Trafficking

A current serious social issue in Grampian is Human Trafficking. This has been covered in detail at every training session for the last 5 years. We use anonymised local examples to explain the different types of trafficking and we emphasise to staff that this is serious problem. Often, it is NHS staff who have the first opportunity to recognise that someone has been trafficked. A number of people have been rescued from the misery of Human Trafficking in 2020/21 due to staff being alert to the signs of Human Trafficking and taking immediate action

Demographic Changes and Social cohesion

Grampian is one of the most attractive areas in Scotland for inward migration. The changing demography of Grampian is covered in all of our training sessions. Over the last 4 years, special emphasis has been given to meeting the needs of New Syrian migrants, who have settled in Grampian. We have included the topic of social cohesion at every training session for the last 5 years.

Consultation and involvement events with our local ethnic communities

Since 2008, NHS Grampian has carried out at least 5 involvement and consultation events with our local ethnic communities every year. These have been carried out on a joint basis with the Grampian Regional Equality Council. On average, over 170 members of our local ethnic communities have attended. The events are advertised and presented in over 14 different local ethnic community languages. Our research has shown that over 95% of our local ethnic community members are non-English speaking when they first arrive in Grampian.

Due to COVID-19, the involvement and consultation events in 2020/21 have gone online, but have still continued. This work is also outreach, we provide a wide range of information in the main local ethnic community language to participants and encourage them to register with their local GP.

In 2020/21, we have put in a massive effort to ensure that accurate and authoritative local information has been available on COVID-19 precautions and vaccination arrangements. This information has been made widely available in our main local ethnic community languages for non-English speaking people. It has also been made widely available in many different formats to assist our local disability communities.

More information on the above is available on the NHS Grampian website at this link:

<https://www.nhsgrampian.org/about-us/equality-and-diversity/>

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

12. Sustainability and the Environment

The Climate Change (Scotland) Act 2009 set out 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 Grampian Health Board 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: <https://sustainablescotlandnetwork.org/reports>

13. Events after the end of the reporting period

No events occurred after the end of the financial year and before the date of publication that will have a material impact on the content of these accounts as presented.

Professor Caroline Hiscox

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25 August 2021

Professor Caroline Hiscox
Chief Executive
Grampian Health Board

ACCOUNTABILITY REPORT
a) CORPORATE GOVERNANCE REPORT
i) THE DIRECTORS' REPORT

1. Naming Convention

NHS Grampian is the common name of Grampian Health Board.

NHS Grampian Endowment Funds is the common name for the Grampian Health Board Endowment Funds.

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 24 August 2021.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 86.

4. Accounting Convention

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of the Grampian Health Board Endowment Funds (operating as NHS Grampian Endowment Funds). Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation. The Annual Accounts also consolidate the Board's interest in the three Integration Joint Boards (IJBs); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements, each IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint arrangements, the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 130 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 84.

5. Appointment of Auditor

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 2021/22, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland, to undertake the audit of Grampian Health Board. The original 5-year term of the appointment was extended by a further year on 9 June 2020. The general duties of the auditor 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 which can be accessed on the Audit Scotland website at the following link: <https://www.audit-scotland.gov.uk>

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)
5. Appointment of Auditor (cont)

The Trustees of NHS Grampian Endowment Funds appointed Azets as external auditor, for the financial year 2020/21.

6. Role of the Board

Grampian Health Board was established in 1972 under the National Health Services (Scotland) Act 1972 and is responsible for commissioning services for the residents of Grampian, a total population of over half a million people. NHS Boards working in partnership with Integration Joint Boards, form a local health system, with governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The role of the Board is to:

- a) deliver patient centred, safe and effective health care to the population of Grampian;
- b) improve and protect the health of local people;
- c) improve health services for local people;
- d) reduce health inequalities;
- e) focus clearly on health outcomes and people's experience of their local NHS system;
- f) promote integrated health and community planning by working closely with other local organisations; and
- g) provide a single focus of accountability for the performance of the local NHS system.

All Board members are also trustees of the NHS Grampian Endowment Funds, a registered charity established by the NHS (Scotland) Act 1978 and subject to the legal framework of the Charities and Trustee Investment (Scotland) Act 2005. The charitable purpose of NHS Grampian Endowment Funds is to enhance healthcare and patient welfare in Grampian, through:

- a) improvement of the physical and mental health of the Grampian Health Board's population and our staff;
- b) prevention, diagnosis and treatment of illness;
- c) provision of services and facilities in connection with the above; and
- d) research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or any other matters relating to the health service as the trustees see fit.

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJBs), Moray, Aberdeen City and Aberdeenshire, are established in Grampian with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive members of Grampian Health Board are appointed to represent the Board as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB, is shared equally between Grampian Health Board and the relevant Local Authority.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)

7. Board Membership

Board members are selected and appointed through the public appointment process on the basis of their current organisational roles and/or particular expertise which enables them to contribute to the decision-making process at a strategic level. The Board has collective responsibility for the performance of NHS Grampian as a whole, working in partnership to improve health and healthcare services.

The following served as members of the Board during the year and up to the date of issue:

Chair: Professor Lynda Lynch

Vice Chair: Mrs Rhona Atkinson

Mrs Rhona Atkinson stepped down as Vice Chair on 30 April 2021 but remains a non-executive member of the Board.

Dr John Tomlinson, a non-executive member of the Board since 1 February 2019, was appointed Vice Chair on 3 June 2021.

Non-Executive Members:

Mrs Amy Anderson
Professor Siladitya Bhattacharya
Ms Kim Cruttenden
Councillor Isobel Davidson
Mr Albert Donald
Ms Joyce Duncan
Mrs Luan Gurgeon
Councillor Ryan Houghton (from 25 May 2021)
Miss Rachael Little
Councillor Douglas Lumsden (to 19 March 2021)
Councillor Shona Morrison
Mr Roderick Murray (from 15 April 2021)
Mr Jonathan Passmore (to 14 April 2021)
Mr Sandy Riddell
Mr Dennis Robertson
Dr John Tomlinson

Executive Members:

Professor Amanda Croft Chief Executive (to 1 November 2020)
Professor Nick Fluck Medical Director
Mr Alan Gray Director of Finance
Professor Caroline Hiscox Chief Executive (from 2 November 2020)
Executive Nurse Director (to 1 November 2020)
Mrs Susan Webb Director of Public Health

Dr June Brown was appointed to the Board as Executive Nurse Director on 1 July 2021. Prior to this Dr Brown was Interim Nurse Director from 2 November 2020.

The Board members' responsibilities in relation to the accounts are set out in a statement on page 39 below.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)

12. Board Members' Interests

The Register of Interests of Board Members may be inspected by members of the public on the NHS Grampian Website at the following link <https://www.nhsgrampian.org/about-us/grampian-nhs-board/> or by contacting the Assistant Board Secretary on 01224 558600. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2020/21 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds or as a member of an IJB that required disclosure in the accounts under IAS 24.

13. Disclosure of Information to Auditor

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 auditor is unaware; and each director has taken all the steps that he/she ought reasonably to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Board's auditor is aware of that information.

14. Remuneration for Non Audit Work

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2020/21 (2019/20 £0).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2020/21 (2019/20 £18k).

15. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on NHS Grampian to publish information on expenditure, economic sustainability and efficiency as soon as is reasonably practicable after the end of each financial year. The information required to comply with these disclosure requirements is not an integral part of the Annual Accounts and is displayed on the NHS Grampian website at the following link <https://www.nhsgrampian.org/about-us/annual-accounts/>

16. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office (ICO) on twenty five occasions during 2020/21 (2019/20 twelve). Of these, eight did not meet the threshold for notification, but NHS Grampian notified the Information Commissioner voluntarily for their awareness. Two notifications were made and subsequently withdrawn. All of these incidents, and those relating to prior years, are now closed. Recommendations were made and acted upon but no enforcement action or penalties were applied by the ICO.

17. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 19.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

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

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of Grampian Health Board. 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 Financial Reporting Manual and in particular to:

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of 30 October 2020.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iii) STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2021 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 NHS Scotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where applicable accounting standards as set out in the Government Financial Reporting Manual have not been followed where the effect of the departure is material; and
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that the Health 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 Health Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

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

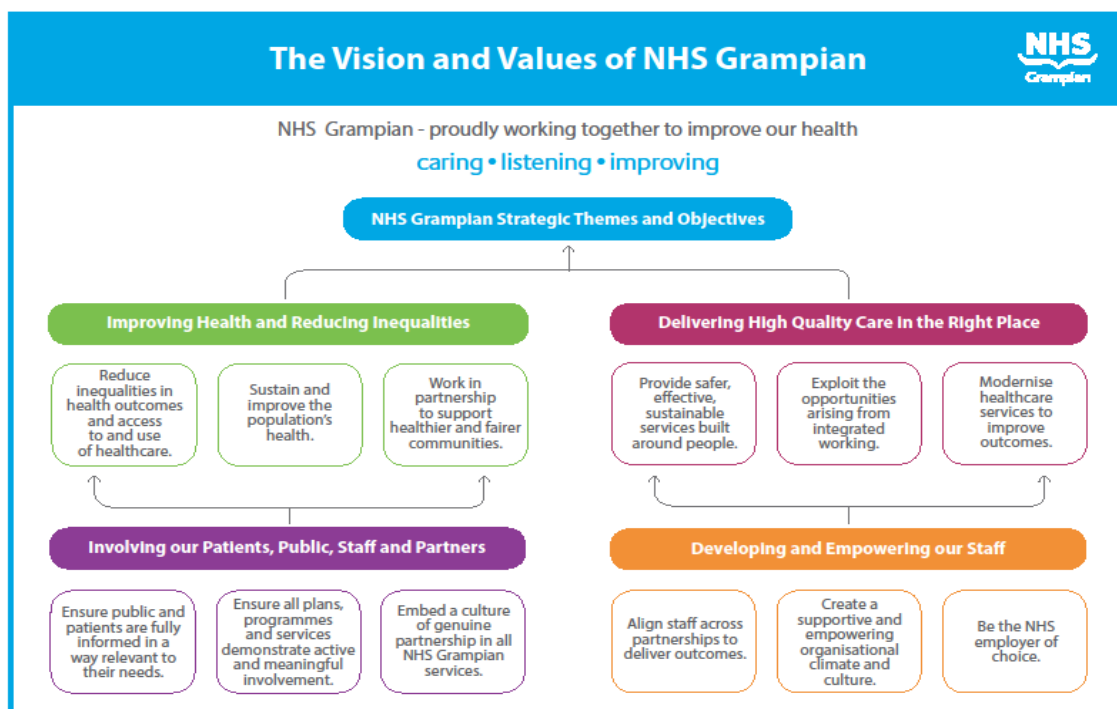
ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Grampian Clinical Strategy for 2016-2021 sets out our aspiration to improve population health and health equality. The Clinical Strategy is being reviewed during 2021/22 alongside the development of the Board re-mobilisation plan in line with the Scottish Government phased response to living with COVID-19 and this is covered in more detail on page 19 above. The Board are committed to working with our partners and staff to improve the health of the people of Grampian and the clinical strategy will be developed in line with our strategic vision and values which are detailed below:



The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives. The Board's Engagement and Participation Committee (see page 43 below) has a key role ensuring that patients, carers and the general public are effectively informed about and involved in services and the strategic agenda in a variety of ways.

2. Assurance Framework

The Grampian NHS Board is a board of governance which meets regularly throughout the year and has adopted a schedule of matters reserved for its decision. The overall role of the Board is to implement efficient, effective and accountable governance and to provide strategic leadership and direction for the system as a whole. The main functions of the Board comprise:

- strategy development and implementation;
- resource allocation;
- implementation of the Annual Operational Plan; and
- performance management.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

In addition, as explained in the Directors' Report on page 34, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment ("Scotland") Act 2005.

The Directors report on page 34 also explains the establishment of the three Integration Joint Boards (IJBs), in Moray, Aberdeen City and Aberdeenshire. Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of adult health and social care services to each IJB. The delegation of services is governed by an integration scheme agreed by both partners and Executive Director and Non-Executive members of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The Board's performance management arrangements reflect those services delegated to the IJBs and the Chief Officers of each IJB attend each meeting of Grampian Health Board and each of the Board's key Governance Committees as required.

The Board operates within an assurance framework which delegates specific governance functions to key sub committees as follows:

Clinical Governance Committee

The Clinical Governance Committee's role is to oversee quality and clinical governance for the Board and ensure that quality standards are being set, met and continuously improved in appropriate areas of clinical activity and that effective arrangements for supporting, monitoring and reporting on quality and clinical governance are in place and working effectively across NHS Grampian.

Membership: Ms Joyce Duncan (Chair to 13 September 2020), Dr John Tomlinson (Chair from 14 September 2020), Mrs Amy Anderson, Professor Siladitya Bhattacharya, Mrs Kim Cruttenden, Councillor Shona Morrison, Mr Dennis Robertson and a public representative.

Staff Governance Committee

The Staff Governance Committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level. The Committee also oversees the implementation of the Staff Governance Standard which requires all NHS Boards to demonstrate that staff are well informed; appropriately trained; involved in decisions that affect them; treated fairly and consistently; and provided with a continuously improving and safe working environment. The Standard also places requirements on staff to ensure a balanced commitment to these matters. The Committee meets four times per year.

Membership: Mr Jonathan Passmore (Chair to 13 September 2020), Ms Joyce Duncan (Chair from 14 September 2020), Mrs Rhona Atkinson, Mr Albert Donald (from 13 August 2020), Miss Rachael Little, Professor Lynda Lynch and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

Remuneration Committee

The Remuneration Committee's main duties are as follows:

- Ensuring that arrangements are in place to comply with NHS Grampian policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment for Executive Directors and Senior Managers.
- Approving the Personal Objectives of all Executive Directors and Senior Managers in the context of relevant Regional/National policy, the Strategic Themes and Corporate Objectives of NHS Grampian.
- Receiving formal reports on the operation of remuneration arrangements and the outcomes of the annual assessment of performance for each of the Executive Directors and Senior Managers.
- Ensuring that arrangements are in place to determine the remuneration, terms and conditions and performance assessment for other staff employed under the executive and senior management cohort pay systems.
- When appropriate, in accordance with procedures, approving remuneration arrangements for other staff groups, e.g. discretionary points for medical consultants.

Membership: Mr Jonathan Passmore (Chair to 13 September 2020), Ms Joyce Duncan (Chair from 14 September 2020), Mrs Rhona Atkinson, Mr Albert Donald (from 13 August 2020), Miss Rachael Little, Professor Lynda Lynch and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

Audit Committee

The Audit Committee's main duties include:

- The review of internal and external audit arrangements;
- The regular review of findings and associated management action arising from internal and external audit activity;
- Approve changes to accounting policies, and review the Health Board Annual Report and Accounts prior to their adoption by the full Board;
- The review and monitoring of adherence to the Board's Standing Orders and Standing Financial Instructions; and
- Ensuring that effective internal control systems are maintained and corporate governance matters are observed.

Membership: Mr Sandy Riddell (Chair), Councillor Isobel Davidson, Miss Rachael Little, Councillor Douglas Lumsden (to 19 March 2021) and Dr John Tomlinson.

Performance Governance Committee

The Performance Governance Committee (PGC) monitors and supports performance management arrangements across NHS Grampian and promotes a culture of continuous, system wide performance improvement.

Membership: Mrs Rhona Atkinson (Chair), Professor Lynda Lynch, Mrs Joyce Duncan, Mrs Luan Grugeon, Miss Rachael Little and Councillor Shona Morrison.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

Engagement and Participation Committee

The Engagement and Participation Committee's role is to provide strategic direction, quality assurance and monitoring of progress on all aspects of engagement and participation with patients, carers and the general public, ensuring they are effectively informed about and involved in services, and the strategic and corporate agenda in a variety of ways.

Membership: Mrs Amy Anderson (Chair), Professor Amanda Croft (to 1 November 2020), Professor Caroline Hiscox, Mrs Kim Cruttenden, Councillor Isobel Davidson, Professor Nick Fluck, Miss Rachael Little, Professor Lynda Lynch, Mr Jonathan Passmore, Dr John Tomlinson and Mrs Susan Webb. There is also extensive staff, clinical, management and public representation at meetings.

Endowment Sub Committee

The Endowment Sub Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2021 valued at £45.5 million (31 March 2020 valued at £36.7 million).

Membership: Mrs Luan Grugeon (Chair), Mr Alan Gray, Professor Siladitya Bhattacharya, Miss Rachael Little, Councillor Douglas Lumsden (to 19 March 2021) and Dr John Tomlinson.

3. 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.

4. Board Governance Arrangements

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)² which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes are embedded as part of our operating environment; as reflected in this statement these arrangements were adapted during 2021/22 whilst the NHS operated under emergency powers:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection from the Clinical Governance Committee and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;

² 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.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, engagement and participation, staff governance, clinical governance, audit committee and from the Chair of the Endowment Trustees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters. In addition, senior leadership arrangements were strengthened during the year to provide additional capacity and support to the Chief Executive;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance including consultation with all stakeholders on service change proposals to inform decision making;

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the NHS Grampian Endowment Funds including a Chair of the Trustees elected from within the body of the Trustees, an annual general meeting of all Trustees to agree all policy matters and an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

4.1 Impact of COVID-19 on Board and Committee Governance

During 2020/21, the above governance arrangements within NHS Grampian were adapted and enhanced to reflect the emergency powers under which the NHS were operating during the global pandemic and the guidance and direction provided by the Scottish Government Health and Social Care Directorate.

The primary aim of the Board during the period of the COVID-19 -19 pandemic was to ensure all resources were deployed in an effective manner to respond to the challenges that emerged and to support the Chief Executive and the wider organisation.

The revisions to the Governance Framework for the Board were initially approved by the Board on 2 April 2020 and were subject to further review and revision at the Board meetings held on 4 June 2020, 4 February 2021 and 3 June 2021.

The key principles that informed the revisions to the governance framework are as follows:

- The challenge faced by the whole system required a single focus; the System Leadership Team were leading a significant organisational change during this period and so interactions and work with Board members would be different in the coming weeks.
- The Board required that the organisation continue to operate within an appropriate legal framework, acting in the best interests of the population, was efficient in the use of resources and put the safety of staff and patients at the forefront of its efforts.
- The management and clinical community needed to be 'fleet of foot' in order to deploy its resources where they could have best effect. Normal working conditions, team structures and bases of work required amendment to facilitate support to the front line effort in some cases.
- The Board needed to ensure it provided support, and where appropriate, challenge to the planning assumptions being made, in order to ensure the organisation maximised its resilience to the challenges it faced.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4.1 Impact of COVID-19 on Board and Committee Governance (cont)

- The Board needed to ensure it recognised the difficult decisions that would be made regarding provision of care, deployment of services and the reaction to the control planning arrangements that would work under the Gold, Silver and Bronze command structure.
- The Board also needed to record such decisions as best as possible in order to provide support to the staff making these difficult decisions. The Board was also required to act to free staff (working to specialist guidance, and Government directive) to adapt plans quickly to meet the changes in requirement that were likely to occur on a daily, if not more frequent basis.
- Non-executive Board members would offer to use their skills and experience to offer their support to the communities within Grampian which they are familiar with. Support from our non-executives in this capacity was important in both the COVID-19 response and recovery phases of our work.

4.1.1 Scottish Government guidance to NHS Boards

On 25 March 2020, the interim NHS Scotland Director of Finance wrote to all Chairs asking for confirmation of the arrangements the Board would establish within the context of the following guidance:

No single approach would fit all Boards during this period but Boards were advised to ensure that the revised model enabled agile and effective decision making, placed staff and their resilience at the centre and built important links with the public and community at this time. Boards should also continue to operate in an open and transparent manner (e.g. publication of board papers) and enable public scrutiny, even if the meetings could not be held in public. In making changes to the current governance arrangements, Board's should be mindful of the requirements in legislation and within existing Standing Orders.

Later in the financial year, Board Chairs were encouraged to implement appropriate and proportionate governance arrangements, as described in the Scottish Government's Interim Director of Health Finance and Governance letter of 18 November 2020. Boards were requested at this time to take all reasonable steps to minimise meetings requiring attendance of executive team members such that senior clinical and non-clinical management could concentrate on the immediate service pressures.

4.1.2 Changes made to the operation of the Board business

The following sets out the revised arrangements implemented by the Board in terms of the conduct of its business and that of its Committees reflecting the guidance from Scottish Government and the Board's own standing orders.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4.1 Impact of COVID-19 on Board and Committee Governance (cont)

4.1.2 Changes made to the operation of the Board business (cont)

The [Public Bodies \(Admissions to Meetings\) Act 1960](#) requires NHS Board meetings to be held in public. However Section 1(2) of that Act states:

*'2) A body may, by resolution, exclude the public from a meeting (whether during the whole or part of the proceedings) whenever publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted **or for other special reasons stated in the resolution** and arising from the nature of that business or of the proceedings; and where such a resolution is passed, this Act shall not require the meeting to be open to the public during proceedings to which the resolution applies.*

NHS boards also have other legal duties to protect public health.

In light of the preventative measures put in place across the country, including social distancing, the Board approved a resolution to not convene its Board meetings in public while the organisation and the country was responding to the COVID-19 -19 pandemic, for the 'special reason' of protecting public health, and the health and wellbeing of anyone who would have otherwise attended the meeting

The Board continued to publish its minutes and meeting papers on its website. It was also necessary to stop convening meetings in the traditional way, and use other options. The Board's Standing Orders make provision for this:

'Meetings of the Board, its committees and sub-committees may (as well as being conducted by all members being present together in a pre-determined place) be conducted in any other way in which each member is enabled to participate although not present with others in such a place, e.g. by videoconferencing'.

The Board also functioned in accordance with its Standing Orders throughout the period other than for the time period for calling of meetings, quoracy and timeframe for submission of papers.

- 1. Calling of Board Meetings** - The Chair may call an extra-ordinary meeting of the Board at any time. The notice (agenda and papers) must be distributed to each Member within 4 consecutive days before the date of the meeting, other than in exceptional circumstances when notice must be given of when the papers will be delivered. The Board will accept verbal up-dates at the discretion of the Chair.
- 2. Quorum** - The quorum will reflect the risk to attendance by prolonged sickness or absence as a result of the COVID-19 19 Virus. No business shall be transacted at a meeting of the Board unless there are present, and entitled to vote, at least six members including the Chairman, two Executive Members and two Non-Executive Members. If the Chairman and Vice Chair are not present, voting Board Members are able to elect a Non-Executive Board Member to act as Chair for the duration of the meeting. This decision must be noted within the minute prior to the first agenda item being discussed.
- 3. Submission of Papers** - In order to free up officers to deal with the demands of the COVID-19 challenges, the Board will revert to accepting verbal reports as a matter of routine other than for reports on legal or regulatory matters.

ACCOUNTABILITY REPORT (cont)**a) CORPORATE GOVERNANCE REPORT (cont)****iv) GOVERNANCE STATEMENT (cont)****4.1 Impact of COVID-19 on Board and Committee Governance (cont)****4.1.2 Changes made to the operation of the Board business (cont)**

A summary of the Board governance arrangements that have been implemented since April 2020 is set out below:

	April to October 2020	October to December 2020	January to June 2021	July to December 2021
Board meeting	Met monthly	Alternate months	Alternate months	Alternate months
Board seminar	-	Alternate months	Alternate months	Alternate months
Staff Governance	Once per month	Pre-COVID-19 cycle	One meeting	Pre-COVID-19 cycle
Remuneration Committee	As required	Pre-COVID-19 cycle	As required	Pre-COVID-19 cycle
Clinical Governance	Once per month	Pre-COVID-19 cycle	One meeting	Pre-COVID-19 cycle
Performance Governance	Once per month	Pre-COVID-19 cycle	One meeting	Pre-COVID-19 cycle
Audit Committee	As required	Pre-COVID-19 cycle	Three meetings	Pre-COVID-19 cycle
Engagement and Participation Committee	Key matters discussed at Performance Governance	Pre-COVID-19 cycle	Committee met to consider RMP 3	Pre-COVID-19 cycle
Spiritual Care		Pre-COVID-19 cycle	-	Pre-COVID-19 cycle

Pre-COVID-19 all board sub committees met at least quarterly.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4.1 Impact of COVID-19 on Board and Committee Governance (cont)

4.1.3 Stakeholder engagement

In addition to the conduct of Board business, a schedule of meetings and briefings were held with key stakeholders, to ensure a regular flow of information to enable these stakeholders to support the NHS Grampian response.

Stakeholders engagement	April to October 2020	October to December 2020	January to June 2021	July to December 2021
MSP/MP	Twice monthly meetings	Monthly meetings	Monthly meetings	Monthly meetings
Local Elected Members	Periodic briefings	Periodic briefings	Monthly briefings	Monthly briefings
Integration Joint Boards	Periodic briefings	Periodic briefings	Monthly briefings	Monthly briefings
Staff briefings	Daily briefings	Daily briefings	Daily briefings	Daily briefings
System Leadership (wider)	Periodic meetings	Monthly meetings	Monthly meetings	Monthly meetings
NE System Transformation Group (with Local Authority CEs)	Monthly meetings and regular discussions	Monthly meetings and regular discussions	Monthly meetings and regular discussions	Monthly meetings and regular discussions
Grampian Area Clinical Forum (GAPF)	Monthly meetings	Monthly meetings	Monthly meetings	Monthly meetings
Clinical Board	Weekly meetings	Monthly meetings	Weekly meetings	Monthly meetings
Area Clinical Forum (ACF)	Monthly meetings	Monthly meetings	Monthly meetings	Monthly meetings
Board briefings	Weekly briefings (first 3 months)	As required	Monthly briefings (mid-Month)	As required

4.4 Revised management arrangements implemented to respond to COVID-19

In order to respond to the emerging challenges presented by COVID-19, the arrangements supporting the decision making and delivery of services was amended with the changes set out in the following plans approved by the Board and submitted to Scottish Government:

COVID-19 response Plan 1	March 2020
COVID-19 response Plan 2	March 2020
Remobilisation Plan 1	May 2020
Remobilisation Plan 2	July 2020
Remobilisation Plan 3	March 2021

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4.1 Impact of COVID-19 on Board and Committee Governance (cont)

4.4 Revised management arrangements implemented to respond to COVID-19 (cont)

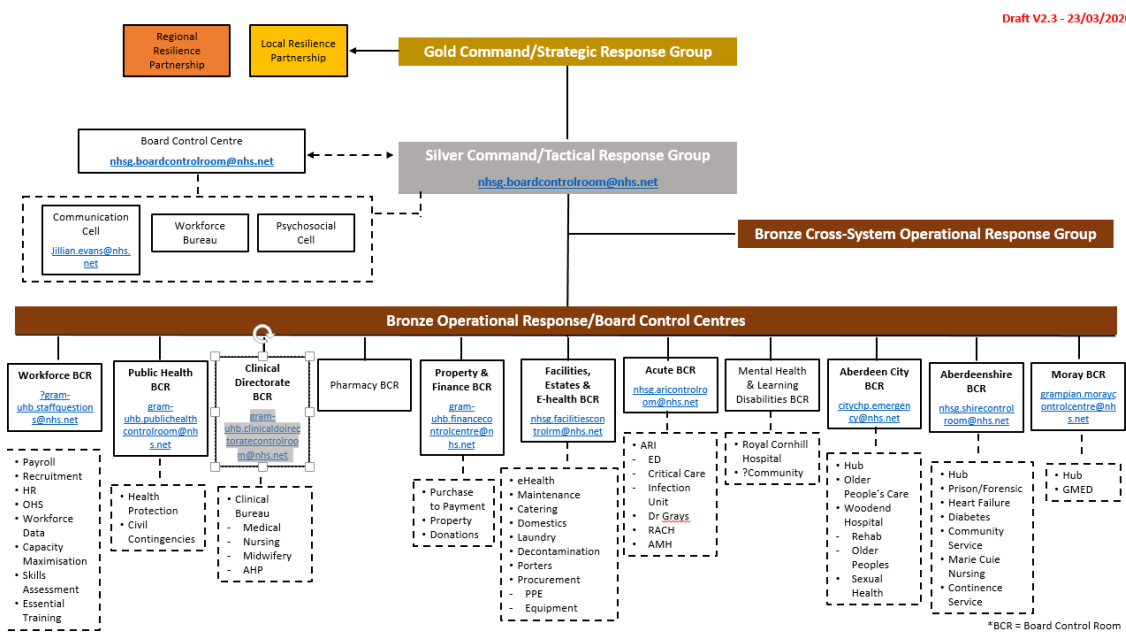
These plans set out in detail the arrangements implemented as part of our whole system response to COVID-19, with the three remobilisation plans developed with staff and partner involvement and engagement. The main operational phases of our response are noted below:

Operation Rainbow – our initial response to the first wave of the pandemic	April to May 2020
Initial remobilisation (and Aberdeen lockdown)	June 2020 to December 2020
Operation Snowdrop – our response to the second wave of the pandemic focusing on surge and flow, critical and protected services, Vaccinations, Test and Protect and Staff Health and Wellbeing	January to March 2021
Respond, Recover, Remobilise and Renew	April 2021 to present

During Operation Rainbow and Operation Snowdrop GOLD, SILVER and BRONZE command and control arrangements were implemented to direct the operational activities and to make decisions regarding the delivery of services. These arrangements are summarised below:

4.4.1 Operation Rainbow

The following governance structure for COVID-19 was enacted in shadow form on 14th February 2020 and went live on 12th March 2020.



ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

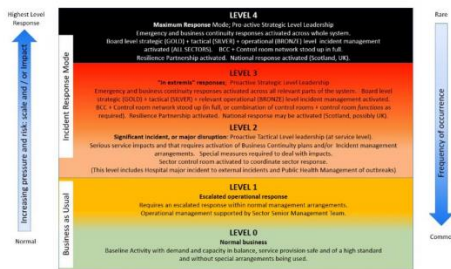
iv) GOVERNANCE STATEMENT (cont)

4.1 Impact of COVID-19 on Board and Committee Governance (cont)

4.4 Revised management arrangements implemented to respond to COVID-19 (cont)

4.4.2 Operation Snowdrop

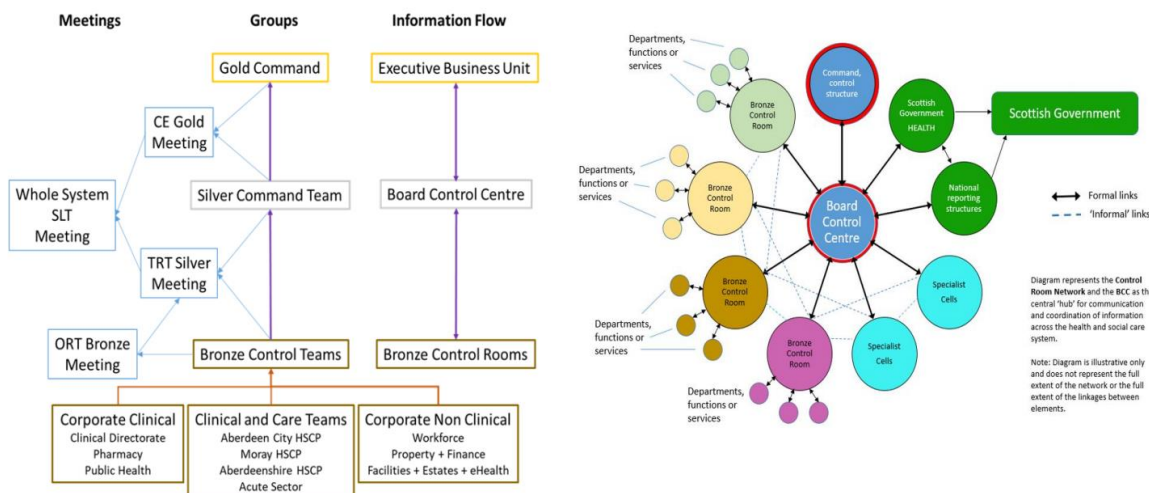
During Operation Snowdrop the following arrangements were implemented in line with Level 4 of the Board's civil contingency plan:



Key Elements

- Implemented GOLD, SILVER and BRONZE command arrangements from December 2020 (see overleaf).
- Operation Snowdrop focused on five priorities – Surge and Flow, Critical and Protected Services, Vaccinations, Test and Protect and Staff Health and Wellbeing
- Tactical Operating Model and Guidance to advise and direct whole system response

The management arrangements implemented during this response period as set out below:



The decisions regarding the change in operational management were recorded in the decision logs maintained by the GOLD Command during Operation Rainbow and Operation Snowdrop. Following Operation Rainbow a review of the arrangements implemented was undertaken by our internal auditors with the lessons learnt embedded in our operational response during Operation Snowdrop.

5. Purpose of the System 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 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.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

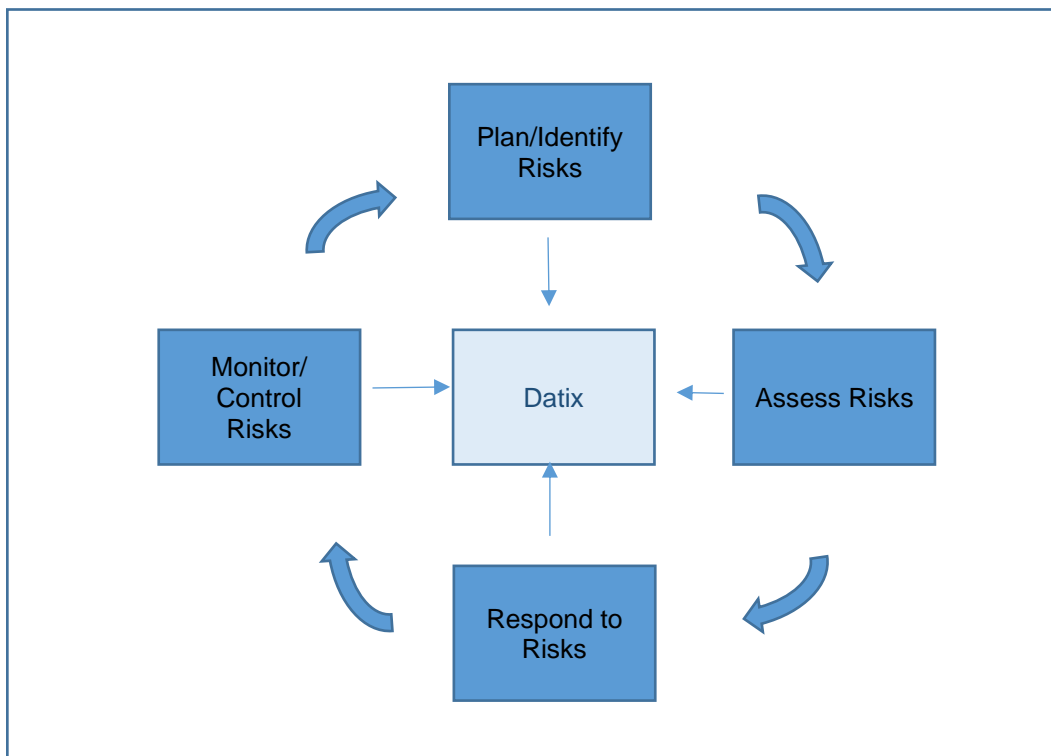
6. Risk Management Arrangements

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

The Board have an agreed risk appetite statement focusing on the level of risk NHS Grampian is prepared to tolerate or accept in the pursuit of our strategic objectives. The Board have agreed that the appetite for risk will vary according to the activity undertaken.

The Board have an established assurance framework which was agreed in November 2019 as part of the action plan agreed following the National NHS in Scotland Blueprint for Good Governance self-assessment process and this is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.

In November 2020, the board implemented a revised risk management protocol aimed at providing guidance for the management of risk throughout the risk management lifecycle in line with the following diagram.



The protocol and supporting operating procedures include updated guidance for managers on each of the steps in the risk management lifecycle including :-

- The importance of risk management to the delivery of our objectives,
- The responsibilities of staff across NHS Grampian, including regular review and updating of risk register content and risk management reporting including evidence of the effectiveness of risk management arrangements and arrangements to ensure lessons learned are fed back appropriately into the process,

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

6. Risk Management Arrangements (cont)

- The supporting organisational arrangements for the identification, assessment and reporting of risks,
- The steps to be taken to develop and implement mitigating action, and
- Use of the Datix system to facilitate the electronic recording, assessment and mitigation reporting of risks and hazards

Implementation of the revised protocol and operating procedures was one of several agreed improvement activities progressed throughout the year in order to ensure commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis. The other key aspects of the improvement programme were:

- Modification of the Datix system to ensure consistency and facilitate more accurate recording specifically ;
 - Include 3 part descriptions to show cause, event and consequence
 - Facility to allow clear statement of action taken including planned action
 - SMART actions supported by email reminders
 - Flattened hierarchy
- Implementation of a short, simplified and easily accessible training package covering the risk management lifecycle.

6.1 Performance, Assurance, Improvement and Risk (PAIR) process

The Performance, Assurance, Improvement and Risk (PAIR) process was implemented in April 2019 as a means of providing assurance on the key aspects of the Board's governance arrangements and management of strategic risks. Seven sub-groups of the System Leadership Team (SLT) were established against the seven identified organisational risks – Infrastructure, Compliance, Quality and Safety, Workforce, Innovation and Transformation, Collaborative Working and Engagement and Participation.

Each group has a Terms of Reference which identifies its scope of business and, collectively, the groups are designed to provide assurance to SLT and the Board that our “business” is being well conducted and well managed. The formation of these groups has strengthened the governance arrangements for the organisation and provides a clear and coherent approach to managing our corporate risks.

Each sub-group is aligned to a sub-committee of the Board as follows :-

Board Committee	SLT sub-group
Performance Governance	<ul style="list-style-type: none">• Infrastructure• Sustainability (formerly Innovation and Transformation)
Audit	<ul style="list-style-type: none">• Compliance
Clinical Governance	<ul style="list-style-type: none">• Quality and Safety
Staff Governance	<ul style="list-style-type: none">• Workforce
Engagement and Participation	<ul style="list-style-type: none">• Involvement and Engagement• Collaboration

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)
6. Risk Management Arrangements (cont)

Each of the SLT sub-groups produce assurance summaries on a two- monthly cycle for review and challenge by the SLT and thereafter to be presented at the relevant committee. The reporting schedule was temporarily paused during the COVID-19 response phase but the normal process resumed in the latter part of the year.

6.2 Clinical Risk Meetings

The Medical Director and the Nurse Director however continued with their weekly clinical risk meetings throughout the year. The purpose of these meetings is to discuss data collated over the previous 7 days with a view to identifying new clinical risks from across the whole system. This includes risks identified from adverse events, feedback, falls, and clinical emergency calls etc. This approach is intended to ensure that the organisation's operational units have early identification of new or increasing clinical risks, raising awareness of cross-system clinical risks and ensuring issues are appropriately classified, escalated and prioritised through system wide discussion and appropriately managed performance against National standards for example timely responses to adverse events and feedback. The output from this process is reported to each weekly meeting of the System Leadership Team.

7. Internal Control Matters

The organisation is committed to a process of continuous development and improvement, developing systems to address the key risks faced by the Board and in response to any relevant reviews and developments in best practice. The Audit Committee closely monitor progress against all high-risk actions arising from internal audit reports.

In the period covering the year to 31 March 2021 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on page 15 above :-

7.1 Board Development and Governance

7.1.1 COVID-19 Pandemic

Following the declaration of COVID-19 as a worldwide pandemic the Board implemented our emergency planning arrangements during March 2020, overseen and guided via local and national operational, tactical and strategic response structures. In line with guidance from the Scottish Government, the Board agreed revised governance arrangements for the duration of the COVID-19 response and recovery period and these are explained in more detail in section 4 above. In terms of the overall internal control environment the pandemic resulted in a shift towards home working with many of the Boards key back office functions delivered remotely. This required the nature of some internal controls to be redesigned accordingly, for example where a physical signature would previously have been required, but the operation of the key controls was maintained throughout and on an ongoing basis.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.1.2 Heightened Cyber Security and Fraud risks

Throughout the COVID-19 response and recovery period the Board have been cognisant of the heightened risk of fraud and the increased number of scams targeted at both individual members of the public and organisations such as NHS Grampian, providing essential services during these challenging times. The following enhanced arrangements have been introduced :-

- Our eHealth team implemented additional multi-tiered cyber security tools to provide better levels of protection at both the network border and endpoints and developed monthly Key Performance Indicators to check and act on vulnerabilities.
- Regular reminders were issued using the COVID-19 daily briefing asking all staff to remain vigilant to the heightened risks.
- The Intelligence bulletin prepared by NHS Counter Fraud services summarising COVID-19 related fraud risks, from all available sources across the public sector, is distributed internally to members of the Board's Security Group.
- The Audit Committee hosted a development session in January 2021 focused on the evolving nature of increased cyber security risk during the COVID-19 pandemic. Content included interesting presentations from a PricewaterhouseCoopers LLP (PwC) subject matter expert on the threat environment and the Board's own General Manager for eHealth covered local cyber security arrangements in some detail. The session was well attended by Board and System Leadership Team members who welcomed the opportunity to raise their awareness of the Boards current cyber security risk profile and the mitigation measures in place to guard against these cyber threats.
- Recruitment of additional staff within the IT security team.
- Where it was not possible to follow normal financial governance arrangements for procurement or payment in support of the Board's COVID-19 mobilisation and recovery plans, these matters were delegated upwards to either the Deputy Director of Finance or the Assistant Director of Finance to ensure that key risk areas such as procurement without competition, payment in advance of need or payment to new suppliers were subject to appropriate challenge in terms of service risk/need, Value For Money, supplier track record, that the goods ordered actually existed and verification of supplier standing data such as bank details. Any requests for supplier relief under the Scottish Government procurement guidance were managed in the same way.

7.1.3 Other matters affecting Board Development and Governance

- All Board Executive and Non-Executive directors have a formal annual appraisal, a key element of which is identification of the personal development requirements of each individual for the following 12 months. In addition, the Board has a bi-monthly seminar which is topic focused and designed to support joint working in key areas linked to the Board's overall strategy.
- Continuation of arrangements for the Board's corporate register of interests including regular reminders to all staff on process.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.1.3 Other matters affecting Board Development and Governance (cont)

- Our programme of system leadership development ensures that staff across NHS Grampian are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance.

7.2 Quality and Safety of Care

- Arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019, which is primarily focused on ensuring that we are resourced to deliver safe and effective care, are overseen by the Quality and Safety PAIR sub-group of SLT, with a reporting line to the Clinical Governance Committee. This work is also supported by the Workforce and Sustainability PAIR subgroups and a reporting method is in place to ensure the Staff Governance Committee are also properly engaged in the process.
- Continuation of the action plan, under the guidance of a multi-disciplinary Health and Safety expert group, relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations from several improvement notices served on the Board following visits in prior years by the Health and Safety Executive and Environmental Health Services.
- The findings from a recent internal audit review of theatre utilisation have led us to plan for arrangements that will ensure continued review and monitoring contributing to effective theatre utilisation during times of stress on the System. Data on theatre utilisation will be used to provide regular updates to theatre staff through Tableau or Illuminate so they can easily visualise the progress of the theatre lists on a given day.
- Continued progress with the programme of ligature reduction works in all acute mental health admission wards, under the oversight of a dedicated programme Board following an improvement notice served by the Health and Safety Executive in October 2017. Further inspections by the HSE have underlined the importance of completing this programme of work on schedule and prompted the Board to agree a further programme of works in other mental health wards and departments assessed as high risk and where this work can be done without significant disruption to the patients occupying the ward. All work on the agreed programme is expected to be complete by October 2021.
- In July 2018, in order to address the ongoing risks due to the difficulty recruiting and retaining permanent medical staff, it was necessary to reconfigure the provision of Paediatric and Maternity Services at Dr Gray's Hospital in Elgin (DGH). This involved aspects of the service, which required specialist intervention, transferring to the Aberdeen Maternity Hospital. Since then, the Board have been working, in consultation with local staff, the public, specialist advisors and Scottish Government to develop a sustainable revised model of care in order to ensure safe services through a single system of risk management, whilst maintaining as much care locally as possible.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.2 Quality and Safety of Care

- As an additional source of assurance and recognising the heightening clinical safety concerns both locally and nationally, the Board agreed to commission an externally led review of safety in the DGH Maternity service. The findings from this review concluded that where there was no evidence of a trend in adverse outcomes for patients of the DGH Maternity service there were some potential safety concerns with the proposed model of care and improvement was required in supporting clinical governance and working relationships across the service. The full report is available at the following link <http://www.nhsgrampian.org/>
- The outcome from this review has been used to inform and update the Boards plans for the redesign of the service and in March 2021 the Scottish Government commissioned a further independent review. The review will be led by the Chief Executive of NHS Borders with the remit to “work with NHS Grampian, NHS Highland and stakeholders with an interest in local maternity services to describe the best obstetric model, that will provide safe, deliverable, sustainable and high quality maternity services for the women and families of Moray in line with the Scottish Government ambition described in ‘The best start: five year plan for maternity and neonatal care (2017)’” The outcome from this review is now expected in the Autumn of 2021.

7.3 BREXIT

- The Board established a BREXIT co-ordination group comprising the Director of Finance, Director of Facilities and Estates, Head of Human Resources and Director of Pharmacy who provided oversight and co-ordination of the Board’s arrangements to manage the risks associated with withdrawal from the EU.
- Risk mitigation measures were/are in place at UK Government, Scottish Government and local NHS Grampian level with regard to availability and supply of medicines, procurement and availability of other essential supplies and the availability of workforce.
- System wide processes were/are in place to ensure continuous review of key risk areas such as the supply chain (freight, medicines, medical devices and clinical consumables and laboratory supplies), workforce (HMRC guidance and Health and Wellbeing of those impacted), finance (tariff changes and rules of origin), information governance (data flows) and contingency planning.
- The Audit Committee received regular updates throughout the year from the Director of Finance, on the current status regarding the UK’s withdrawal from the EU.
- At the time of writing although there are some reports of shipment delays at border control the impact on flow and supply was being closely monitored and no immediate concerns were reported regarding critical supplies such as medicines. Similarly no major workforce issues had been highlighted.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.4 Infrastructure

- Enhanced monitoring arrangements were in place for our capital and infrastructure projects to address the impact of COVID-19 on design, programme and cost including an assessment of social distancing and other health and safety considerations for both on-site and off-site construction, supply chain resilience and the availability of labour and materials.
- Governance arrangements for our major capital projects now include the requirement for an independent external design review following recent learning from other large health sector projects.
- The Audit Committee receive an annual update on progress against the backlog maintenance plan.

7.5 Innovation and Transformation

- Formal governance arrangements in line with the Prince2 methodology are in place to ensure the co-ordination and delivery of the multiple projects that constitute the Electronic Patient Record programme, a critical technological step for the Board towards our objective of reducing dependency on paper medical records. In addition to improving access and security of the records, enabling the conversion of medical records from paper into an electronic form significantly reduces the risk of damage to the records due to flood or fire and reduces the fire risk for those buildings where records are held.
- During 2016/17 all records previously stored at Spynie Hospital were converted into electronic form. In March 2018, we completed the transfer of all physical records previously held in the basement of Phase 2 at Aberdeen Royal Infirmary (ARI), into a new purpose-built records storage and scanning facility located in the warehouse building at Foresterhill. Medical Records for all new patients using ARI, are now either held electronically from the outset or retrospectively scanned using our new facility. Work continues to scan all existing records for patients at ARI and Aberdeen Maternity Hospital into electronic form.

7.6 Workforce

- Although the use of temporary agency staff has reduced considerably during the COVID-19 pandemic, Senior Management continue to closely manage the engagement process relating to agency medical and nursing staff. This includes scrutiny of the justification for all agency staffing requests.
- A recent review by our internal auditors, at the request of the Medical Director, has considered the arrangements that exist within external agencies to provide assurance of the effectiveness of for pre-employment checks on staffing put forward to fulfil temporary engagements with the Board. The review was delayed due to the COVID-19 pandemic but is now available in draft and management are considering the appropriate actions to address the recommendations.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.6 Workforce (cont)

- The need to respond quickly to the recent COVID-19 pandemic has created an opportunity to accelerate recruitment efforts through a range of government sponsored initiatives aimed at fast tracking recruitment of clinical staff returning to the health service and also to facilitate employment of student nurses and doctors early during the final stages of their training in order to enhance the available workforce.
- Recruitment of staff in clinical roles remains a key challenge, with continuing pressures around recruitment into Senior Medical roles and in critical skilled nursing and clinical support roles, for example, theatre nursing. Throughout the year the Board continued to apply, in partnership, robust vacancy management processes to ensure staff were deployed to the areas of greatest need.
- The staffing report on page 67 provides more detail on the various recruitment initiatives underway.

7.7 Compliance

The Audit Committee received briefings during the year on the following key risk areas highlighted in recent audit reviews:-

- Ongoing action to address the requirements of the General Data Protection Regulations, which took effect on 25 May 2018, including an associated training and communications plan, a data inventory and assigned ownership of information assets.
- The action plan to meet the requirements of the Board's Records Management Plan, including timelines for responses to the Keeper's recommendations. The Board committed to a voluntary progress update review with National Records of Scotland during 2020.
- An information security group to co-ordinate all cyber security matters including those relating to medical devices. The group reports through the Board's Security Group to the System Leadership Team and the Performance Governance Committee and is responsible for the following actions :-
 - Review existing cyber security policies and procedures, including access management controls, threat and vulnerability and patch management, to ensure that the arrangements for cyber security of medical devices, including roles and responsibilities, are appropriately reflected in extant guidance for the service.
 - Procedures to ensure the periodic review of cyber security risks, including those identified for medical devices, reported in the Board's risk management system (Datix), and that, where appropriate, this information is reconciled to equipment asset registers.
 - Working closely with key stakeholders such as Information Security, Information Governance and Procurement teams, develop local guidance for the incorporation of Information Security requirements within the procurement specification and tender process.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.7 Compliance (cont)

- A formal reporting process where designated service leads will be required to provide assurance regarding compliance with cyber security guidance within their designated area.
 - Periodic penetration testing of medical device security.
- Ongoing action by the Board's Medical Equipment Management Service to co-ordinate the capture of all medical equipment assets across NHS Grampian on the Board's equipment asset register, including relevant cyber security information.
- The service audit report for Practitioner Services prepared by independent auditors for NHS National Services Scotland (NSS) resulted in a qualified opinion in 2020/21 as well as 2019/20.
- 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 report in detail therefore, the Board have noted the various improvement actions agreed by the NSS Audit and Risk Committee to address the qualification on the Practitioner Services audit opinion. The NSS Audit Committee have agreed a management action plan intended to address the findings and this will be tested by the NSS service auditors in the first quarter of 2021/22.
 - The Board have also considered the additional sources of assurance covering the expenditure on primary care services in the 2020/21 accounts including :-
 - The national agreement to protect much of the income received by primary care practitioners during the COVID-19 pandemic,
 - The positive outcome from a subsequent, additional internal audit review commissioned by NSS in to ad hoc COVID-19 related payments.
 - the positive feedback from a briefing hosted by the Chair of the NSS Audit and Risk Committee on 3 June 2021, attended by Directors of Finance and their External Auditors.

7.8 Involvement and Engagement

- Through liaison with the North East Partnership Steering Group (NEPSG), the Board continue to progress agreement on a consistent vision and values aimed at ensuring a consistent message in all communication between clinical staff, service users and their carers.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.8 Involvement and Engagement (cont)

- The Board's assurance framework recognises the role of staff side and the advisory structure in supporting the work of Board sub committees and to clarify the role and importance of the Engagement and Participation Committee as a core governance committee of the Board.

7.9 Collaborative Working

- Agreement to share, reciprocally, all relevant internal audit reports with the Audit Committees of the IJBs and partner organisations, and where appropriate, to co-ordinate internal audit activity across sectors. In line with this principle NHS Grampian's internal audit programme for 2020/21 included dedicated audit time in support of Health and Social Care Integration activities with the scope agreed jointly by the three IJB Chief Officers.

8.0 Best Value

I can confirm that Grampian Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the Scottish Public Finance Manual. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that they are part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to seek opportunities to enhance the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

9.0 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 required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by the Board's external auditor and the external auditors of the NHS Grampian Endowment Funds;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports from Health Improvement Scotland and other inspection agencies;

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

9. Review of Adequacy and Effectiveness (cont)

- Transparent reporting and analysis of the Board's financial performance through the Performance Governance Committee and System Leadership Team, including the extent to which the Board is reliant on non-recurring sources of funding to achieve our financial targets;
- An annual briefing to the Audit Committee on progress against the backlog maintenance implementation plan aimed at reducing high risk backlog maintenance in clinical areas and compliance with climate change legislation; and

In addition to the above, the processes that have been applied to assist me in reviewing the effectiveness of the system of internal control include:

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- Assurance from the External Auditor of the NHS Grampian Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment Funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

10. Disclosures

Based on the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Grampian and group, I am not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

The tables on pages 64-66 in the Remuneration and Staff Report and the tables notes 2, 4 and 10 on pages 68, 69 and 71 have been subject to audit by the Board's External Auditor. The other sections in the Remuneration and Staff Report are reviewed by the External Auditor to ensure they are consistent with the financial statements.

i) THE REMUNERATION REPORT

Remuneration of Executive and Non-Executive Members

The total remuneration disclosed on pages 65 to 66 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

Board Members' Contracts of Employment

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS(ESM) 2020/1.

On 27 March 2020, Scottish Government issued a variation order, effective until further notice, to advise if deemed helpful for the provision of clinical or other services necessary to the continued operation of NHS Scotland, that Executive and Senior Managers up to Director Level would be able to be offered overtime payments in line with para 3.1 of the Agenda for Change Handbook, during the COVID-19 outbreak. For staff at Director level and above this was at the discretion of the local Remuneration Committee.

Assessment of Performance

The performance assessment process for the Executive and Senior Management Cohort is in accordance with PCS (ESM) 2020/1. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of Grampian Health Board in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members following review by the Chief Executive and Chair is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chair. For Non-Executive members, the process is also undertaken by the Chair and written evidence is submitted to the Cabinet Secretary for Health and Wellbeing.

The progression of the Executive and Senior Management Cohort through the pay range is subject to, as a minimum, the fully acceptable performance of the individual. A National Performance Management Committee as detailed in PCS (ESM) 2020/1 ensures, on behalf of the Scottish Government, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives subject to Ministerial Direction.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
i) THE REMUNERATION REPORT (cont)

Remuneration Committee

The Remuneration Committee ensures that arrangements are in place to comply with NHS Grampian policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment and for approving the personal objectives of all Executive Directors and Senior Managers.

Further information including membership of the Remuneration Committee, is included in the Governance Statement on page 42 above.

Relationship between the highest paid Director and the workforce median remuneration

The following table compares the banded remuneration of the highest paid Director against the median salary for the workforce in each year. The remuneration figures used for this calculation represent the annualised whole time equivalent salary figures.

2020-21	2020-21	2019-20
Range of Staff Remuneration (£000's)	19-374	18-461
Highest Earning Director's Total Remuneration (£000s)	205-210	200-205
Median Total Remuneration (£)	32,145	31,384
Ratio	6.49	6.52

All staff earning below £80,000 received a 2.95% cost of living uplift in pay during 2020/21 and staff earning above that amount received a flat increase of £1,600. In addition all staff received an additional 1% backdated to 1 December 2020 as a payment to account in relation to the 2021/22 pay settlement and a one off supplementary COVID-19 payment of £500 at the direction of the Scottish Government. This is the main reason for the increase in median pay.

The ratio of 6.49 has reduced slightly over the prior year. This is due to the increase in the median pay as explained above.

NHS GRAMPAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2021

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2020/21.

	Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2020/21 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2021 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2021 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/20	Cash Equivalent Transfer Value (CETV) at 31/3/21	Real increase in CETV in year
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Remuneration of:														
Executive Members														
Professor Amanda Croft	b	110-115	0	0.0	110-115	146	255-260	55-60	5-7.5	175-180	20-22.5	1,110	1,291	159
Professor Nick Fluck		205-210	0	0.0	205-210	0	205-210	55-60	0	175-180	0	1,301	1,331	30
Mr Alan Gray		140-145	0	6.0	150-155	39	185-190	25-30	2.5-5	0	0	372	421	49
Professor Caroline Hiscox	a/i	130-135	0	0.0	130-135	93	225-230	30-35	5-7.5	60-65	7.5-10	431	516	86
Mrs Susan Webb	c/f	155-160	0	0.0	155-160	45	200-205	50-55	2.5-5	110-115	2.5-5	894	968	74
Non Executive Members														
Chair - Professor Lynda Lynch		40-45	0	0	40-45	N/A	40-45	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson	f	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Siladitya Bhattacharya		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Kim Cruttenden	d	95-100	0	0	95-100	31	125-130	20-25	0-2.5	35-40	0-2.5	287	317	30
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Albert Donald		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joyce Duncan	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Luan Grugeon	f	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miss Rachael Little	e/f	60-65	0	0	60-65	19	80-85	10-15	0-2.5	0	0	129	143	14
Councillor Douglas Lumsden (to 19 March 2021)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Shona Morrison		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jonathan Passmore	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Sandy Riddell	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Dennis Robertson	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John Tomlinson	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SENIOR EMPLOYEES														
Dr June Brown (from 2 November 2020)	g	35-40	0	0	35-40	39	75-80	25-30	2.5-5	65-70	7.5-10	387	476	90
Dr Adam Coldwells	i	135-140	0	0.2	135-140	46	185-190	50-55	2.5-5	110-115	0-2.5	875	939	64
Mr Tom Power (from 1 July 2020)	h	70-75	0	0	70-75	35	105-110	10-15	2.5-5			134	171	37

NOTES :

- a) Professor Caroline Hiscox was appointed as Chief Executive and accountable officer for NHS Grampian on 2 November 2020. Prior to this, Professor Hiscox was the Executive Nurse Director.
- b) Professor Croft was Chief Executive and accountable officer of NHS Grampian until 1 November 2020 and formally retired from NHS Grampian service on 31 December 2020. Her full year equivalent salary was in the range £145k-£150k
- c) Mrs Susan Webb was Director of Public Health for both NHS Grampian and NHS Shetland. Both roles were performed as an employee of NHS Grampian and 17% of Mrs Webb's salary was recharged to NHS Shetland under a Service Level Agreement between the two Boards. The remuneration disclosed above represents the 83% of cost met by NHS Grampian during 2020/21. The disclosed pension figures relate to service accrued in both NHS Grampian and NHS Shetland roles and includes additional years purchased at her own personal cost.
- d) The remuneration disclosure for Ms Kim Cruttenden includes total earnings both in her role as a Senior Clinical Pharmacist with NHS Grampian and for her additional duties as an NHS Board member.
- e) Miss Rachael Little worked in a full time capacity as Employee Director of NHS Grampian.
- f) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.
- g) Dr June Brown was appointed Interim Nurse Director with effect from 2 November 2020. Her full year equivalent salary was in the range £95k-£100k
- h) Mr Tom Power was appointed as Director of People and Culture on 1 July 2020. His full year equivalent salary was in the range £90k-£95k
- i) Executive Board members and Senior Managers received overtime during the COVID pandemic in line with Scottish Government Direction, where this was deemed helpful for the provision of clinical or other services necessary to the continued operation of NHS Scotland and subject to the scrutiny and agreement of the NHS Grampian Remuneration Committee.

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2020

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2019/20.

Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2019/20 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2020 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2020 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/19	Cash Equivalent Transfer Value (CETV) at 31/3/20	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Remuneration of:														
Executive Members														
Professor Amanda Croft	a	150-155	0	0.0	150-155	115	265-270	50-55	5-7.5	150-155	15-17.5	963	1,105	128
Professor Nick Fluck		200-205	0	0.0	200-205	0	200-205	55-60	0	175-180	0	1,265	1,294	29
Mr Alan Gray	b	125-130	0	5.4	130-135	36	165-170	25-30	2.5-5	0	321	370	49	
Dr Caroline Hiscox	c	100-105	0	0.0	100-105	37	135-140	25-30	0-2.5	50-55	0-2.5	390	429	39
Mrs Susan Webb	d	80-85	0	0.0	80-85	36	115-120	45-50	2.5-5	105-110	0-2.5	826	890	64
Non Executive Members														
Chair - Professor Lynda Lynch		35-40	0	0	35-40	N/A	35-40	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson	g	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Siladitya Bhattacharya (from 1 July 2019)	h	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Kim Cruttenden	e	90-95	0	0	90-95	23	110-115	15-20	0-2.5	35-40	0-2.5	262	285	23
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Albert Donald (from 1 February 2020)	i	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joyce Duncan	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Luan Grugeon	g	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miss Rachael Little	f/g	60-65	0	0	60-65	16	75-80	10-15	0-2.5	0	0	117	128	11
Councillor Douglas Lumsden		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Shona Morrison		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jonathan Passmore	g	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Sandy Riddell	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Dennis Robertson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John Tomlinson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SENIOR EMPLOYEES														
Dr Adam Coldwells (from 28 October 2020)	j	55-60	0	0	55-60	19	75-80	45-50	2.5-5	105-110	0-2.5	810	871	61

NOTES :

- a) Professor Amanda Croft was the accountable officer for NHS Grampian throughout 2019/20. First as Interim Chief Executive and then following her permanent appointment as Chief Executive from 12th April 2019.
- b) During the period 1 April 2019 to 30 June 2019 Mr Alan Gray was Director of Finance for both NHS Grampian and NHS Tayside. Both roles were performed as an employee of NHS Grampian and 45% of Mr Grays salary for the period 1 April 2019 to 30 June 2019 was recharged to NHS Tayside. The remuneration disclosed above represents the 55% of cost met by NHS Grampian for the period 1 April 2019 to 30 June 2019 and 100% of cost from 1 July 2019 when Mr Gray reverted to a full time role as Director of Finance for NHS Grampian. The disclosed pension figures relate to service accrued in both his NHS Grampian and NHS Tayside roles and includes additional years purchased at his own personal cost.
- c) Dr Caroline Hiscox was appointed Executive Nurse Director on 24 September 2019. Prior to this, Dr Hiscox was seconded in to the role on an acting basis.
- d) Mrs Susan Webb was Director of Public Health for both NHS Grampian and NHS Shetland. Both roles were performed as an employee of NHS Grampian and 26% of Mrs Webb's salary was recharged to NHS Shetland under a Service Level Agreement between the two Boards. The remuneration disclosed above represents the 74% of cost met by NHS Grampian during 2019/20. The disclosed pension figures relate to service accrued in both NHS Grampian and NHS Shetland roles and includes additional years purchased at her own personal cost.
- e) The remuneration disclosure for Ms Kim Cruttenden includes total earnings both in her role as a Senior Clinical Pharmacist with NHS Grampian and for her additional duties as an NHS Board member.
- f) Miss Rachael Little worked in a full time capacity as Employee Director of NHS Grampian.
- g) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.
- h) Professor Siladitya Bhattacharya was appointed to the Board on 1 July 2019. His full year equivalent salary was in the range £5k-£10k.
- i) Mr Albert Donald was appointed to the Board on 1 February 2020. His full year equivalent salary was in the range £5k-£10k
- j) Dr Adam Coldwells was seconded to the post of Director of Strategy and Deputy Chief Executive on 28 October 2019. The earnings figure disclosed above relates to the period 28 October 2019 to 31 March 2020. The full year equivalent salary is in the range £130k - £135k.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

1. Staff Governance

As part of our adherence to the NHS Scotland Staff Governance Standards, the organisation engages and consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process. In addition to a full time Employee Director, NHS Grampian has invested in five full time partnership representatives released from their substantive roles, who represent the interests of all staff. NHS Grampian provides employees with information on matters of concern to them as employees through a range of communication methods including the local intranet, Team Brief, global e-mails and the Upfront Newspaper.

We continue to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps as we redesign our clinical service delivery and to support leadership development in our workforce.

2. The Workforce

The Board would like to express their thanks and appreciation to all staff for their fantastic contribution and for their relentless support and professionalism during this most challenging of years. The care and compassion shown to patients and to colleagues has been exemplary and the flexibility of approach has been essential in managing the impact of COVID-19, redesigning how the public access health and social care and implementing a range of public protection measures; for example Humanitarian Assistance, Test and Protect and the vaccination programme which has been the largest immunisation programme undertaken since the establishment of the NHS. Our response has been enabled by whole system co-ordination and collaboration.

The Board operates, in partnership, a robust vacancy management, recruitment and redeployment process to ensure staff are deployed to the areas of greatest need. The use of agency medical, nursing and Allied Health Professional staffing has reduced during the year, except where necessary in order to cover critical roles and ensure a safe and effective service. The effective deployment of the recent enhancement to our workforce and to reduce the use of very expensive and often less effective temporary locum and agency staffing has been a key area of focus for the Board during 2020/21.

Recruitment efforts continued throughout the year, in partnership with our Trade Unions and Professional Organisations, building on well-developed links with the education sector and with other North of Scotland NHS Boards to attract and retain suitably skilled professionals to Grampian. The need to respond quickly to the recent COVID-19 pandemic however created an opportunity to accelerate recruitment efforts through a range of government sponsored initiatives aimed at fast tracking recruitment of clinical staff returning to the health service and also to facilitate employment of student nurses and doctors early during the final stages of their training in order to enhance the available workforce. At the end of May 2020 NHS Grampian had successfully employed an additional 111 returning professionals through the fast track scheme, 746 Medical, Nursing and Midwifery students, 96 junior doctors and 29 fourth year nursing students to enhance our clinical workforce. A further 176 domestic and portering staff and 72 Health and Community Social Work assistants were also recruited

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

The following table summarises total staff costs and numbers for 2020/21 and the prior year:

STAFF COSTS	Notes	Executive Board Members £000's	Non Executive Board Members £000's	Permanent Staff £000's	Inward Secondees £000's	Other Staff £000's	Outward Secondees £000's	2020/21 Total £000's	2019/20 Total £000's
Salaries and wages	c	752	413	620,843	0	0	0	622,008	540,952
Taxation & Social Security costs		98	39	58,843	0	0	0	58,980	52,848
NHS scheme employers' costs	a	97	26	102,424	0	0	0	102,547	93,203
Secondees	c	0	0	0	493	0	(40,614)	(40,121)	(39,834)
Agency staff		0	0	0	0	19,483	0	19,483	33,326
TOTAL		947	478	782,110	493	19,483	(40,614)	762,897	680,495
Compensation for loss of office		0	0	6	0	0	0	6	51
TOTAL STAFF COSTS	b	947	478	782,116	493	19,483	(40,614)	762,903	680,546

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 217 186

STAFF NUMBERS	Average W.T.E	Average W.T.E
Whole time equivalent (WTE)	5	0
	14,110	0
	0	0
	0	0
	14,115	13,294

Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: 4 3

Included in the total staff numbers above were staff with a disability : 49 47

Notes :

a) Reconciliation of total staff costs to Note 3 Operating Expenditure :

Total employee expenditure disclosed in Note 3 operating Expenditure	803,300	724,089
Deduct outward secondees	(40,614)	(43,729)
Add salaries charged to capital expenditure	217	186

Total staff costs disclosed above **762,903** **680,546**

b) Total employee expenditure increased by £79 million mainly due to the impact of additional temporary staffing (student nurses, junior medical staff, Domestic, Porters and additional overtime) during the COVID pandemic (£31.3 million), the annual pay uplift (£29.7 million), an increase in the level of untaken annual leave (£13.1 million) and the COVID 19 supplementary payment to all Health service staff (£3.9m). Expenditure on temporary agency staff reduced by £14million.

3. Staff Composition

	2020/21			2019/20		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	3	5	2	3	5
Non-Executive Members and Employee Director	7	9	16	7	9	16
Senior Employees	14	9	23	13	13	26
Other	3,340	14,285	17,625	2,879	12,732	15,611
Total Headcount	3,363	14,306	17,669	2,901	12,757	15,658

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

4. HIGHER PAID EMPLOYEES REMUNERATION

HIGHER PAID EMPLOYEES REMUNERATION

Employees whose remuneration fell within the following ranges:	2020/21 No.	2019/20 No.
Clinicians		
£ 70,001 to £80,000	166	151
£ 80,001 to £90,000	109	83
£ 90,001 to £100,000	80	74
£100,001 to £110,000	68	62
£110,001 to £120,000	73	63
£120,001 to £130,000	67	65
£130,001 to £140,000	56	66
£140,001 to £150,000	37	45
£150,001 to £160,000	49	29
£160,001 to £170,000	30	27
£170,001 to £180,000	31	23
£180,001 to £190,000	16	14
£190,001 to £200,000	6	5
£200,001 and above	27	23

Other

£ 70,001 to £ 80,000	38	35
£ 80,001 to £ 90,000	24	18
£ 90,001 to £100,000	14	9
£100,001 to £110,000	11	7
£110,001 to £120,000	7	1
£120,001 to £130,000	2	1
£130,001 to £140,000	2	0
£140,001 to £150,000	0	1
£150,001 to £160,000	1	1
£160,001 to £170,000	0	0
£170,001 to £180,000	1	0
£180,001 to £190,000	1	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

Note :

Remuneration is calculated as gross pay plus benefits in kind and includes compensation for loss of office under agreed voluntary severance arrangements.

5. Sickness absence

NHS Grampian proactively manages staff who are absent in the workplace due to sickness. Staff are encouraged to return to work as soon as possible which may include adjustment programmes longer than 4 weeks when clinically justified. With an aging workforce, people take longer to recover from accidents and injuries and it's paramount that they be supported to return to work as soon as possible. All evidence and research shows that it is better to have somebody at work in staged recovery, rather than off sick for extended periods. This has contributed to the achievement of the overall annual sickness absence rates of 3.7% (2019/20 4.8%). To help ensure that staff have the right access to advice on health related matters, the Board have recently commenced a pilot for a new Occupational Health Wellbeing Hub which ensure that staff seeking assistance receive timely and tailored care, keeping people well and at work.

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

6. Staff policies applied during the financial year relating to the employment of Disabled Persons

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2020/21 NHS Grampian employed an average 48.7wte (headcount 58) staff with a disability compared to 46.5wte (headcount 54) in 2019/20.

The NHS Grampian Equality, Diversity and Human Rights Policy can be accessed at the following link <https://www.nhsgrampian.org/about-us/equality-and-diversity/>. This covers, in detail, the employment of disabled persons including recruitment and selection, treatment during employment and monitoring arrangements. The policy also lists the other NHS Grampian Policies which are in place to ensure that applicants for posts with a disability and staff in post with a disability are treated fairly and that everything reasonably possible is done to meet their needs. This includes providing appropriate support and making reasonable adjustments, training, career development and promotion of disabled persons.

7. Other employee matters such as diversity and equal treatment

NHS Grampian fully complies with the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012. More information, including the key reports listed below, can be accessed at the following link <https://www.nhsgrampian.org/about-us/equality-and-diversity/>

- NHS Grampian Equalities Outcomes 2017-2021, update report;
- Making equality duty an integral part of the way NHS Grampian functions - progress Report for the period April 2019 to March 2021;
- An NHS Grampian Equal Pay Monitoring Report, April 2019 and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2019/20.

NHS Grampian also has a range of other policies developed in partnership with Trade Unions and Professional Organisation representatives to cover all employee matters including health and safety, employee consultation, trade union relationships, employability and pay policy.

8. Expenditure on consultancy

Expenditure on external consultancy during 2020/21 was £7,835 (2019/20 £50,654)

NHS Grampian has used a total of 2 consultancy organisations during 2020/21 (2 in 2019/20). These suppliers provided consultancy services in a number of areas including, capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian's own staff and therefore represent a value for money alternative to the direct employment of specialist staff.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT (cont)

9. Off payroll engagements

The use of locum agency medical and nursing staff throughout the year is disclosed in section 2 above. All other staff engaged by NHS Grampian to provide services during the year for a period of longer than six months were remunerated through either NHS Grampian's payroll or where those staff were seconded from a partner organisation e.g. a university or a local authority, they were remunerated through the payroll of that partner organisation.

All Board members deemed to have significant financial responsibility during the year were remunerated through NHS Grampian's payroll.

10. Exit packages

There was one exit package agreed in the year. There were no compulsory redundancies.

	2020/21	2019/20
Exit Package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£0 - £10,000	1	0
£50,000 - £100,000	0	1
Total Resource Cost (£'000)	6	51

11. Trade Union (Facility Time Publication Requirements) Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requirement relevant public sector employers to publish, a range of data on the amount and cost of facility time. The following information relating to NHS Grampian is also published on the NHS Grampian website at <https://www.nhsgrampian.org/about-us/annual-accounts/>

110 (98.43 WTE) employees were relevant union officials during 2020/21

Percentage of time spent on facility time

Percentage of time spent on facility time	Number of Employees
0%	64
1-50%	33
51-99%	1
100%	9

£ million

Total Cost of Facility Time during 2020/21	0.463
Total cost of Paybill 2020/21	739.643
Percentage of total pay bill spent on facility time	0.06%
Percentage of total facility time spent in Trade Union Activities	3.10%

ACCOUNTABILITY REPORT (cont)
c) PARLIAMENTARY ACCOUNTABILITY REPORT

1. Losses and Special Payments

On occasion, the Board may be required to write off outstanding debt that is assessed as no longer recoverable, make an ex gratia payment or to pay compensation for a loss incurred by a third-party including patients or staff. All such payments including all clinical negligence compensation claims, in excess of the Board's delegated limits, require the approval of the SGHSCD.

The following special payments and losses have been approved by the Board and are included in the financial statements for 2020/21:

	No. of cases 2020/21	£000 2020/21	No. of cases 2019/20	£000 2019/20
Fraud and suspected Fraud	20	0	33	0
Clinical Negligence and Employer Liability claims	55	6,012	51	7,857
Other losses and ex gratia payments	110	149	55	24
Total Special payments and losses	185	6,161	139	7,881

In 2020/21, the Board was required to pay out 8 claims, £1.0 million, £0.67 million, £0.58 million, £0.5 million, £0.38 million, £0.28 million, £0.25 million and £0.25 million, in respect of clinical negligence cases in excess of £0.25 million (2019/20: 7 claims £2.5 million, £0.97 million, £0.73 million, £0.56 million, £0.43 million, £0.32 million and £0.25 million) No other individual losses or claims with a value exceeding £0.25 million were settled during the year.

The Board is also required to provide for all clinical negligence and employer liability claims notified to it and which will be settled at a future date. Details of these provisions and an explanation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) can be found in note 13.

2. Fees and Charges

The Board had no commercial trading activity during 2020/21 where the full annual cost exceeded £1 million (2019/20 nil).

3. Contingent Liabilities

Contingent liabilities are disclosed in note 14 and contractual obligations are disclosed in note 15.

Professor Caroline Hiscox

.....
25 August 2021

Professor Caroline Hiscox
Chief Executive
Grampian Health Board

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Grampian 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 Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, 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 my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the 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

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgement 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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

I have audited the parts of the Remuneration and Staff Report described as audited. In my 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.

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

26 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2021

		NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Aberdeen City 2020/21 £'000	Aberdeenshire 2020/21 £'000	Moray 2020/21 £'000	Group 2020/21 £'000	Group 2019/20 £'000
Staff Costs	3a	803,300	0	0	0	0	0	803,300	724,089
Other Operating Expenditure	3b								
Independent Primary Care Services		165,461	0	0	0	0	0	165,461	156,882
Drugs and Medical Supplies		241,508	0	0	0	0	0	241,508	228,339
Other Health Care expenditure		932,984	3,177	(2,130)	0	0	0	934,031	819,973
Gross expenditure for the year		2,143,253	3,177	(2,130)	0	0	0	2,144,300	1,929,283
Less : Operating Income	4	(768,537)	(3,525)	2,130	0	0	0	(769,932)	(733,679)
Joint Ventures accounted for on an equity basis		0	0	0	(7,817)	(10,225)	(3,078)	(21,120)	2,167
Net expenditure for the year		1,374,716	(348)	0	(7,817)	(10,225)	(3,078)	1,353,248	1,197,771
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)									
Net Loss/(gain) on revaluation of Property Plant and Equipment		9,106	0	0	0	0	0	9,106	(38,739)
Net Loss/(gain) on revaluation of financial assets		0	(8,325)	0	0	0	0	(8,325)	2,417
Total Comprehensive Net Expenditure/(Income)		1,383,822	(8,673)	0	(7,817)	(10,225)	(3,078)	1,354,029	1,161,449

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 25 to 27.

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2020

		NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Aberdeen City 2019/20 £'000	Aberdeenshire 2019/20 £'000	Moray 2019/20 £'000	Group 2019/20 £'000
Staff Costs	3a	724,089	0	0	0	0	0	724,089
Other Operating Expenditure	3b							
Independent Primary Care Services		156,882	0	0	0	0	0	156,882
Drugs and Medical Supplies		228,339	0	0	0	0	0	228,339
Other Health Care expenditure		817,249	4,721	(1,997)	0	0	0	819,973
Gross expenditure for the year		1,926,559	4,721	(1,997)	0	0	0	1,929,283
Less : Operating Income	4	(732,145)	(3,531)	1,997	0	0	0	(733,679)
Joint Ventures accounted for on an equity basis		0	0	0	1,488	644	35	2,167
Net expenditure for the year		1,194,414	1,190	0	1,488	644	35	1,197,771
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)								
Net Loss/(gain) on revaluation of Property Plant and Equipment		(38,739)	0	0	0	0	0	(38,739)
Net Loss/(gain) on revaluation of financial assets		0	2,417	0	0	0	0	2,417
Total Comprehensive Net Expenditure/(Income)		1,155,675	3,607	0	1,488	644	35	1,161,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Aberdeen City 2020/21 £'000	Aberdeenshire 2020/21 £'000	Moray 2020/21 £'000	Group 2020/21 £'000	Group 2019/20 £'000
Non-current assets:									
Property, plant and equipment	7c	585,027	0	0	0	0	0	585,027	578,115
Intangible assets	6	2,470	0	0	0	0	0	2,470	1,334
Financial assets:									
Financial assets	10	646	50,151	0	0	0	0	50,797	42,258
Investments in joint ventures		0	0	0	9,118	10,284	3,171	22,573	1,453
Trade and other receivables	9	50,737	0	0	0	0	0	50,737	88,834
Total non-current assets		638,880	50,151	0	9,118	10,284	3,171	711,604	711,994
Current Assets:									
Inventories	8	6,664	0	0	0	0	0	6,664	7,197
Financial assets:									
Trade and other receivables	9	84,808	370	(551)	0	0	0	84,627	46,442
Cash and cash equivalents	11	692	1,859	0	0	0	0	2,551	4,733
Assets classified as held for sale	7b	977	0	0	0	0	0	977	1,057
Total current assets		93,141	2,229	(551)	0	0	0	94,819	59,429
Total assets		732,021	52,380	(551)	9,118	10,284	3,171	806,423	771,423
Current liabilities									
Provisions	13	(61,681)	(5,149)	0	0	0	0	(66,830)	(27,718)
Financial liabilities:									
Trade and other payables	12	(181,099)	(905)	551	0	0	0	(181,453)	(102,320)
Total current liabilities		(242,780)	(6,054)	551	0	0	0	(248,283)	(130,038)
Non-current assets (less) net current liabilities		489,241	46,326	0	9,118	10,284	3,171	558,140	641,385
Non-current liabilities									
Provisions	13	(97,146)	(885)	0	0	0	0	(98,031)	(141,224)
Financial liabilities:									
Trade and other payables	12	(42,109)	0	0	0	0	0	(42,109)	(41,601)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0	0
Total non-current liabilities		(139,255)	(885)	0	0	0	0	(140,140)	(182,825)
Assets less liabilities		349,986	45,441	0	9,118	10,284	3,171	418,000	458,560
Taxpayers' Equity									
General fund		228,136	0	0	0	0	0	228,136	284,228
Revaluation reserve		121,850	0	0	0	0	0	121,850	136,112
Other reserves		0	45,441	0	0	0	0	45,441	36,767
Other reserves- Joint Venture		0	0	0	9,118	10,284	3,171	22,573	1,453
Total taxpayers' equity		349,986	45,441	0	9,118	10,284	3,171	418,000	458,560

The Annual Accounts were approved by the Board of Directors and authorised for issue on 24 August 2021

Professor Caroline Hiscox

Professor Caroline Hiscox
Chief Executive

Alan Gray

Mr Alan Gray
Director of Finance

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		NHS	Charitable	Intra Group	Aberdeen	Aberdeenshire	Moray	Group
	Note	Grampian	Endowment	Adjustments	City	2019/20	2019/20	2019/20
		2019/20	Funds	2019/20	2019/20	2019/20	2019/20	2019/20
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets:								
Property, plant and equipment	7c	578,115	0	0	0	0	0	578,115
Intangible assets	6	1,334	0	0	0	0	0	1,334
Financial assets:								
Financial assets	10	432	41,826	0	0	0	0	42,258
Investments in associates and joint ventures		0	0	0	1,301	59	93	1,453
Trade and other receivables	9	88,834	0	0	0	0	0	88,834
Total non-current assets		668,715	41,826	0	1,301	59	93	711,994
Current Assets:								
Inventories	8	7,197	0	0	0	0	0	7,197
Financial assets:								
Trade and other receivables	9	47,171	153	(882)	0	0	0	46,442
Cash and cash equivalents	11	2,798	1,935	0	0	0	0	4,733
Assets classified as held for sale	7b	1,057	0	0	0	0	0	1,057
Total current assets		58,223	2,088	(882)	0	0	0	59,429
Total assets		726,938	43,914	(882)	1,301	59	93	771,423
Current liabilities								
Provisions	13	(23,474)	(4,244)	0	0	0	0	(27,718)
Financial liabilities:								
Trade and other payables	12	(102,107)	(1,095)	882	0	0	0	(102,320)
Total current liabilities		(125,581)	(5,339)	882	0	0	0	(130,038)
Non-current assets (less) net current liabilities		601,357	38,575	0	1,301	59	93	641,385
Non-current liabilities								
Provisions	13	(139,416)	(1,808)	0	0	0	0	(141,224)
Financial liabilities:								
Trade and other payables	12	(41,601)	0	0	0	0	0	(41,601)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0
Total non-current liabilities		(181,017)	(1,808)	0	0	0	0	(182,825)
Assets less liabilities		420,340	36,767	0	1,301	59	93	458,560
Taxpayers' Equity								
General fund		284,228	0	0	0	0	0	284,228
Revaluation reserve		136,112	0	0	0	0	0	136,112
Other reserves		0	36,767	0	0	0	0	36,767
Other reserves- Joint Venture		0	0	0	1,301	59	93	1,453
Total taxpayers' equity		420,340	36,767	0	1,301	59	93	458,560

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

		NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Aberdeen City	Aberdeenshire	Moray	Group	Group
	Note	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2019/20 £'000
Cash flows from operating activities									
Net operating cost		(1,374,716)	348	0	7,817	10,225	3,078	(1,353,248)	(1,197,771)
Adjustments for non-cash transactions	2b	27,159	0	0	(7,817)	(10,225)	(3,078)	6,039	25,290
Add back: interest payable recognised in net operating cost	2b	2,867	0	0	0	0	0	2,867	2,917
Investment Income		0	(1,314)	0	0	0	0	(1,314)	(1,533)
(Increase)/decrease in trade and other receivables	2c	410	(217)	(331)	0	0	0	(138)	(12,827)
(Increase)/decrease in inventories	2c	533	0	0	0	0	0	533	(1,623)
Increase/(decrease) in trade and other payables	2c	80,410	(190)	331	0	0	0	80,551	(1,066)
Increase/(decrease) in provisions	2c	(4,063)	(18)	0	0	0	0	(4,081)	12,985
Net cash outflow from operating activities		(1,267,400)	(1,391)	0	0	0	0	(1,268,791)	(1,173,628)
Cash flows from investing activities									
Purchase of property, plant and equipment		(41,101)	0	0	0	0	0	(41,101)	(14,299)
Purchase of intangible assets		(1,539)	0	0	0	0	0	(1,539)	(802)
Investment Additions	10	(223)	(7,117)	0	0	0	0	(7,340)	(8,572)
Transfer of assets to/(from) other NHS bodies		(202)	0	0	0	0	0	(202)	0
Proceeds of disposal of property, plant and equipment		350	0	0	0	0	0	350	1,574
Receipts from sale of investments		0	7,118	0	0	0	0	7,118	8,576
Interest and dividends received		0	1,314	0	0	0	0	1,314	1,533
Net cash outflow from investing activities		(42,715)	1,315	0	0	0	0	(41,400)	(11,990)
Cash flows from financing activities									
Funding*		1,312,300	0	0	0	0	0	1,312,300	1,189,153
Movement in general fund working capital		(2,106)	0	0	0	0	0	(2,106)	682
Cash drawn down		1,310,194	0	0	0	0	0	1,310,194	1,189,835
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	682	0	0	0	0	0	682	(1,033)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,867)	0	0	0	0	0	(2,867)	(2,917)
Net Financing		1,308,009	0	0	0	0	0	1,308,009	1,185,885
Net increase/(decrease) in cash and cash equivalents in the period		(2,106)	(76)	0	0	0	0	(2,182)	267
Cash and cash equivalents at the beginning of the year		2,798	1,935	0	0	0	0	4,733	4,466
Cash and cash equivalents at the end of the year	11	692	1,859	0	0	0	0	2,551	4,733

* Funding balance includes both the cash drawn down to fund expenditure and an adjustment made in respect of funding received for PPE and testing kits amounting to £12.07m.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

		NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Aberdeen City 2019/20 £'000	Aberdeenshire 2019/20 £'000	Moray 2019/20 £'000	Group 2019/20 £'000
Cash flows from operating activities								
Net operating cost		(1,194,414)	(1,190)	0	(1,488)	(644)	(35)	(1,197,771)
Adjustments for non-cash transactions	2b	23,123	0	0	1,488	644	35	25,290
Add back: interest payable recognised in net operating cost	2b	2,917	0	0	0	0	0	2,917
Investment Income		0	(1,533)	0	0	0	0	(1,533)
(Increase)/decrease in trade and other receivables	2c	(12,736)	(126)	35	0	0	0	(12,827)
(Increase)/decrease in inventories	2c	(1,623)	0	0	0	0	0	(1,623)
Increase/(decrease) in trade and other payables	2c	(1,099)	68	(35)	0	0	0	(1,066)
Increase/(decrease) in provisions	2c	12,156	829	0	0	0	0	12,985
Net cash outflow from operating activities		(1,171,676)	(1,952)	0	0	0	0	(1,173,628)
Cash flows from investing activities								
Purchase of property, plant and equipment		(14,299)	0	0	0	0	0	(14,299)
Purchase of intangible assets		(802)	0	0	0	0	0	(802)
Investment Additions	10	0	(8,572)	0	0	0	0	(8,572)
Proceeds of disposal of property, plant and equipment		1,574	0	0	0	0	0	1,574
Receipts from sale of investments		0	8,576	0	0	0	0	8,576
Interest and dividends received		0	1,533	0	0	0	0	1,533
Net cash outflow from investing activities		(13,527)	1,537	0	0	0	0	(11,990)
Cash flows from financing activities								
Funding		1,189,153	0	0	0	0	0	1,189,153
Movement in general fund working capital		682	0	0	0	0	0	682
Cash drawn down		1,189,835	0	0	0	0	0	1,189,835
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	(1,033)	0	0	0	0	0	(1,033)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,917)	0	0	0	0	0	(2,917)
Net Financing		1,185,885	0	0	0	0	0	1,185,885
Net increase/(decrease) in cash and cash equivalents in the period		682	(415)	0	0	0	0	267
Cash and cash equivalents at the beginning of the year		2,116	2,350	0	0	0	0	4,466
Cash and cash equivalents at the end of the year	11	2,798	1,935	0	0	0	0	4,733

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000
		General Fund £'000	Revaluation Reserve £'000	Total Board Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	
Balance at 31 March 2020		284,228	136,112	420,340	27,068	9,699	36,767	1,301	59	93	458,560
Changes in taxpayers' equity for 2020-21											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	(9,106)	(9,106)	0	0	0	0	0	0	(9,106)
Net loss on revaluation of financial assets	10	0	0	0	3,069	5,257	8,326	0	0	0	8,326
Impairment of property, plant and equipment	7a/7b	0	(1,262)	(1,262)	0	0	0	0	0	0	(1,262)
Revaluation & impairments taken to operating costs	2a	0	1,262	1,262	0	0	0	0	0	0	1,262
Transfers between reserves		5,156	(5,156)	0	0	0	0	0	0	0	0
Transfer of Assets from Other NHS		1,168	0	1,168	0	0	0	0	0	0	1,168
Net operating cost for the year		(1,374,716)	0	(1,374,716)	348	0	348	7,817	10,225	3,078	(1,353,248)
Total recognised income and expense for 2020-21		(1,368,392)	(14,262)	(1,382,654)	3,417	5,257	8,674	7,817	10,225	3,078	(1,352,860)
Funding:											
Drawn down *		1,310,194	0	1,310,194	0	0	0	0	0	0	1,310,194
Movement in General Fund Creditor		2,106	0	2,106	0	0	0	0	0	0	2,106
Balance at 31 March 2021		228,136	121,850	349,986	30,485	14,956	45,441	9,118	10,284	3,171	418,000

* Drawn down balance includes both the cash drawn down to fund expenditure and an adjustment made in respect of funding received for PPE and testing kits amounting to £12.07m.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000
		General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	
Balance at 31 March 2019		284,903	101,959	386,862	30,502	9,872	40,374	2,789	703	128	430,856
Prior year adjustments for changes in accounting policy and material errors				0			0				0
Restated Balance at 1 April 2019		284,903	101,959	386,862	30,502	9,872	40,374	2,789	703	128	430,856
Changes in taxpayers' equity for 2019-20											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	38,739	38,739	0	0	0	0	0	0	38,739
Net gain on revaluation of financial assets	10	0	0	0	(2,244)	(173)	(2,417)	0	0	0	(2,417)
Impairment of property, plant and equipment	7a	0	399	399	0	0	0	0	0	0	399
Revaluation & impairments taken to operating costs	2a	0	(399)	(399)	0	0	0	0	0	0	(399)
Transfers between reserves		4,586	(4,586)	0	0	0	0	0	0	0	0
Net operating cost for the year		(1,194,414)	0	(1,194,414)	(1,190)	0	(1,190)	(1,488)	(644)	(35)	(1,197,771)
Total recognised income and expense for 2019-20		(1,189,828)	34,153	(1,155,675)	(3,434)	(173)	(3,607)	(1,488)	(644)	(35)	(1,161,449)
Funding:											
Drawn down		1,189,835	0	1,189,835	0	0	0	0	0	0	1,189,835
Movement in General Fund Creditor		(682)	0	(682)	0	0	0	0	0	0	(682)
Balance at 31 March 2020		284,228	136,112	420,340	27,068	9,699	36,767	1,301	59	93	458,560

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1) Authority

In accordance with the accounts direction issued by Scottish Ministers under 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.

1(a) Disclosure of new accounting standards

There were no new standards, amendments and interpretations effective in 2020/21 for the first time

1(b) Standards, amendments and interpretations early adopted this year

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

1(c) Standards issued but not yet effective

The following standards have been issued but are not yet effective:

- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).

IFRS 16 Leases supersedes IAS 17 Leases and was due to be applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2020, however this has now been deferred until 2022-23. 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 Grampian 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.

Note 1. ACCOUNTING POLICIES (cont)

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

Impact of the new standard

IFRS 16 was due to be applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2020, however in light of COVID-19 pressures, implementation in the public sector has been deferred to 2022/23. The Board had assessed the impact that the application of IFRS 16 would have on the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) for the financial year ending 31 March 2022 and on the Statement of Financial Position (SOF) at that date. The standard is expected to increase total expenditure by £0.7 million. Right-of-use assets totalling £43.5 million will be brought onto the Statement of Financial Position, with an associated lease liability of £42.4 million.

IFRS 16 – Impacts to the SoCNE	£m
2021-22 anticipated depreciation	4.158
2021-22 interest expense expected	0.687
2021-22 IAS 17-basis rental payments expected	(4.113)
Net impact to SoCNE in the year to 31 March 2022	0.732

IFRS 16 – Impacts to the SoFP	£m
Right-to-use asset as at 1 April 2021	40.632
Net additions/(disposals) to right-of-use asset as at 31 March 2022	7.043
2021-22 anticipated depreciation	(4.158)
Net right-of-use asset as at 31 March 2022	43.513
Existing IAS 17 operating leases brought on at 1 April 2021	(39.014)
Liability associated with additions/disposals as 31 March 2022	(6.832)
2021-22 principal	3.425
Net liability as at 31 March 2022	(42.421)

2) Basis of Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which 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, who are appointed by Scottish Ministers.

NHS Grampian Endowment Funds is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit audited financial statements to OSCR on an annual basis. The accounts of the charity have been prepared in accordance with applicable UK accounting standards, the Statement of Recommended Practice - “Accounting and Reporting by Charities” (SORP 2015) effective 1 January 2015 and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The accounting policies have been aligned to the policies of the Board for the purposes of consolidation. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

Note 1. ACCOUNTING POLICIES (cont)

Effective from 2016/17 the Board has also disclosed its interest in the three Integration Joint Boards (IJBs); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation. In accordance with IFRS 11 – Joint Arrangements each IJB is considered to be a Joint Venture and 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 in accordance with IAS 28 – Investments in Associates and Joint arrangements.

3) Retrospective Restatements

There are no adjustments to prior year figures required to be reflected in the accounts.

4) Going Concern

The accounts are prepared on a going concern basis, which provides that the Board members have a reasonable expectation 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 and available for sale financial assets and liabilities. 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

6 (a) Grampian Health Board

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 (RRL). 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 when the transfer of goods or services (the performance obligation) is satisfied. Where income is received for goods or services that will not be delivered in the current financial year, that income is deferred.

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

Non-discretionary funding 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.

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

Note 1. ACCOUNTING POLICIES (cont)

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

6(b) NHS Grampian Endowment Funds

All incoming resources are recognised once the NHS Grampian Endowment Funds has received its entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Legacies and donations to the NHS Grampian Endowment Funds are accounted for as incoming resources upon confirmation of legal entitlement and classified as restricted or unrestricted based on the donors stated wishes. Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

All expenditure, including grants, is accounted for on an accruals basis and is only incurred where this will further the charitable objects of the NHS Grampian Endowment Funds. All expenditure is recognised once there is a legal or constructive obligation committing the fund to the expenditure. A liability for grants relating to the funding of salaries is recognised when the Trustees have granted approval. Where this relates to NHS Grampian employees, these balances will be eliminated on consolidation.

7) Property, plant and equipment

The treatment of capital assets e.g. Property, Plant and Equipment in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Scotland Capital Accounting Manual. Title to properties included in the accounts is held by the Scottish Ministers.

7(a) 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.

Note 1. ACCOUNTING POLICIES (cont)

7(b) 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 an agreed programme. All property assets are subject to a full professional valuation at least every 5 years, but more frequently should market forces dictate, 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 Institute 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 stated 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); and

Assets under construction are held at cost until operational. Thereafter they are valued as above in accordance with all other assets in the same category. These assets 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:

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

Note 1. ACCOUNTING POLICIES (cont)

For large complex backlog maintenance projects the nature of the work can vary significantly as the programme progresses and it is often difficult to accurately analyse work in progress between the aspects of the programme that will deliver future economic benefit, i.e. the capital expenditure, from the aspects of the programme that are ongoing maintenance activities i.e. the revenue expenditure. In these circumstances, all expenditure is charged and carried initially as an Asset Under Construction in the Board's ledger. On completion of each significant stage of the project, the final out turn expenditure is analysed between revenue and capital based on the completed scope. Revenue expenditure is charged to the Statement of Comprehensive Net Expenditure and the capitalised expenditure is then subject to an impairment review based on an interim valuation of the completed work by the Board's independent valuation advisors.

Revaluations and Impairment:

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

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

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

7(c) 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) Property, Plant and Equipment which has been reclassified as 'Held for Sale' and non-operational assets which have been declared surplus cease to be depreciated upon the reclassification.
- 3) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 4) Equipment is depreciated over the estimated life of the asset.
- 5) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Note 1. ACCOUNTING POLICIES (cont)

Depreciation is charged on a straight-line basis using an assessment of the remaining useful economic life determined by the Board's appointed valuers.

The following asset lives have been used:

	Useful Life
Buildings Structure	20-90
Buildings Engineering	5-35
Moveable engineering plant and equipment and long- life medical equipment	10
Furniture and medium-life medical equipment	5-10
Vehicles and soft furnishings	7-10
Office, information technology, short-life medical and other equipment	2-5

8) Intangible Assets

8(a) 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 the 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:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

Note 1. ACCOUNTING POLICIES (cont)

Software:

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

Software licences:

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred and the life of the licence exceeds one year.

Websites:

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

8(b) 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 impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

Note 1. ACCOUNTING POLICIES (cont)

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 (c) Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

- 1) Software: amortised over expected useful life;
- 2) Software licences: amortised over the shorter term of the licence and their useful economic lives;
- 3) Other intangible assets: amortised over their expected useful life; and
- 4) Intangible assets which have been reclassified as 'Held for Sale' cease to be amortised upon the reclassification.

Amortisation is charged on a straight-line basis. The following asset lives have been used:

Useful Life

Information technology	2-5
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9) Non-current assets held for sale

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

10) Donated Assets

Charitable donations and legacies for the benefit of health services in Grampian are generally either made to the NHS Grampian Endowment Funds, a separate legal organisation and registered charity or to one of the many independent healthcare related charitable organisations that exist within Grampian e.g. Hospital Friends groups. Where these charitable organisations, including the NHS Grampian Endowment Funds, or from time to time an individual philanthropic donor, provides grant funding to support the purchase or construction of a physical asset, then NHS Grampian will recognise the grant funding as income within the Statement of Comprehensive Net Expenditure (SOCNE). NHS Grampian will ensure that all donations are utilised in line with any specific conditions attached by the donor. The resulting asset will be capitalised on the Statement of Financial position (SOFP) initially at the current full replacement cost. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual, as set out above.

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

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

12) Leasing

12(a) Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

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

12(b) 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.

Note 1. ACCOUNTING POLICIES (cont)

12(c) 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(d) HUB Schemes

Transactions financed as revenue transactions through the Scottish Government's HUB initiative are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. 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' 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 Statement of Comprehensive Net Expenditure.

13) Impairment of non-financial assets

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

14) General Fund Receivables and Payables

Where 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.

Note 1. ACCOUNTING POLICIES (cont)

15) 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 for certain categories of inventories. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

16) Losses and Special Payments

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

17) Employee Benefits

17(a) 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.

17(b) Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The scheme was revised on 1 April 2015 to extend the retirement age to the State Pension age and to calculate benefits on a career average re-valued earnings basis (CARE).

The previous scheme was split in to two sections, 1995 and 2008, and any benefits earned by members prior to 1 April 2015 are protected and will be paid at the sections 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.

The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'.

As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary who 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.

Note 1. ACCOUNTING POLICIES (cont)

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

18) Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government. NHS Grampian 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' at 50% of the claim and those in 'Category 1' at nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

As a participant in the CNORIS scheme the Board is also liable to meet the cost of contributions to the scheme in future years and is required, additionally, to provide for the Board's share of the total CNORIS liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

19) Related Party Transactions

Material related party transactions are disclosed in note 21 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

20) 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 property, plant and equipment. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21) Provisions

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

Note 1. ACCOUNTING POLICIES (cont)

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:

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

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

24(a) 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, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

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

This is the default basis for financial assets.

Note 1. ACCOUNTING POLICIES (cont)

(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 Statement of Financial Position.

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 at fair value through profit or loss

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

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

Note 1. ACCOUNTING POLICIES (cont)

(b) Financial assets held at amortised cost

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

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

Financial assets carried at fair value through other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets carried at fair value through other comprehensive income are subsequently measured at fair value. Gains or losses arising from changes in the fair value are recognised in the Statement of Comprehensive Net Expenditure until the financial asset is derecognised or reclassified. (IFRS 9 - 5.7.10)

24)(b) 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 NHS 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 Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

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

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

(b) Amortised 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 on call with banks, cash balances held with the Government Banking Service 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 balance sheet.

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 Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through profit or loss) 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 balance sheet 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.

Note 1. ACCOUNTING POLICIES (cont)

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 20 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

29) Key sources of judgement, estimation and uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies.

The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Grampian. The provision covers all claims classified as category 3 and 50% of the value of claims in category 2 which have been assessed as having a probability of settlement. The share of the NHS Scotland CNORIS liability is estimated based on actual settlement trends in prior years.

Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Grampian employees for whom NHS Grampian have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

Fair Value of Property, Plant & Equipment: Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2021, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 28 above.

In the valuation report at 31 March 2020 a material uncertainty was declared due to market uncertainties caused by COVID-19. The Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), defines material uncertainty as '*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.*' The valuer has confirmed that the valuation at 31 March 2021 is not reported as being subject to 'material valuation uncertainty' on the basis that some property markets are fully functional with transaction volumes returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Due to restrictions on access to the properties during the COVID pandemic, the properties have generally been valued on a desktop basis at 31 March 2021, with limited external only inspections undertaken

Leases: For all relevant agreements, NHS Grampian has made judgement as to whether substantially all the significant risks and rewards of ownership of leased assets are transferred in line with IAS 17.

NOTE 2A. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2020/21 £'000	2020/21 £'000	
Net expenditure		1,353,248	
Total Non Core Expenditure (see below)		(32,340)	
FHS Non Discretionary Allocation		(65,425)	
Donated Assets Income		1,051	
Endowment Net Operating Costs		348	
Joint Ventures accounted for on an equity basis		21,120	
Total Core Expenditure		1,278,002	
Core Revenue Resource Limit		1,278,771	
Saving/(excess) against Core Revenue Resource Limit		769	
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation/Amortisation	24,215		
Annually Managed Expenditure - Impairments	1,262		
Annually Managed Expenditure - Creation of Provisions	66		
Annually Managed Expenditure - Depreciation of Donated Assets	1,566		
Additional SGHSCD non-core funding	5,231		
Total Non Core Expenditure		32,340	
Non Core Revenue Resource Limit		32,340	
Saving/(excess) against Non Core Revenue Resource Limit		0	
SUMMARY RESOURCE OUTTURN			
	Resource	Expenditure	Saving/(excess)
	£'000	£'000	£'000
Core	1,278,771	1,278,002	769
Non Core	32,340	32,340	0
Total	1,311,111	1,310,342	769

2b NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for non-cash transactions

	Note	2020/21 £'000	2019/20 £'000
Expenditure not paid in cash			
Depreciation	7a	23,811	23,197
Amortisation	6	403	308
Depreciation of donated assets	7a	1,566	1,398
Impairments on PPE charged to SoCNE		1,616	625
Reversal of impairments on PPE charged to SoCNE		(434)	(1,064)
Loss on remeasurement of non current assets held for sale	7b	80	40
Funding Of Donated Assets *	4/7a	(1,051)	(1,381)
Loss / (profit) on disposal of property, plant and equipment		0	0
Joint Ventures accounted for on an equity basis		(21,120)	2,167
Transfer of Assets from Other NHS		1,168	0
Total expenditure not paid in cash		6,039	25,290

Notes :

* Donations to fund specific capital projects are initially treated as operating income disclosed in note 4 and offset against operating expenditure in the SOCNE. Because these donations are used to meet the cost of capital, and not normal operating expenditure, the value of the donations are also included in note 2, in order to ensure that these costs are properly recognised within the cash flow statement.

2b. Interest payable recognised in operating expenditure

		2020/21 £'000	2019/20 £'000
PFI Finance lease charges allocated in the year	17	2,867	2,917

2c. CONSOLIDATED MOVEMENT IN WORKING CAPITAL BALANCES

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			Consolidated Total Movement 2020/21 £'000	NET MOVEMENT				
	Note	Opening Balances 2020/21 £'000	Closing Balances 2020/21 £'000	Net Movement 2020/21 £'000	Opening Balances 2020/21 £'000	Closing Balances 2020/21 £'000	Net Movement 2020/21 £'000	Opening Balances 2020/21 £'000	Closing Balances 2020/21 £'000		Net Movement 2020/21 £'000	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra group Adjustments 2019/20 £'000	Group 2019/20 £'000
INVENTORIES															
Balance Sheet		7,197	6,664												
Net Decrease				533			0			0	533	(1,623)	0	0	(1,623)
TRADE AND OTHER RECEIVABLES															
Due within one year		47,171	84,808		153	370		(882)	(551)						
Due after more than one year		88,834	50,737												
Less: Property, Plant & Equipment (Capital) included in above		(142)	(92)												
Net (Increase)/Decrease		135,863	135,453	410	153	370	(217)	(882)	(551)	(331)	(138)	(12,736)	(126)	35	(12,827)
TRADE AND OTHER PAYABLES															
Due within one year		102,107	181,099		1,095	905		(882)	(551)						
Due after more than one year		41,601	42,109												
Less: Property, Plant & Equipment (Capital) included in above		(5,990)	(6,504)												
Less: General Fund Creditor included in above		(2,798)	(692)												
Less: Lease and PFI Creditors included in above		(42,718)	(43,400)												
Net Increase/(Decrease)		92,202	172,612	80,410	1,095	905	(190)	(882)	(551)	331	80,551	(1,099)	68	(35)	(1,066)
PROVISIONS															
Balance Sheet		162,890	158,827		6,052	6,034		0	0						
Net Increase				(4,063)			(18)		0	(4,081)	12,156	829	0	12,985	
NET MOVEMENT (Decrease)/Increase				77,290			(425)		0	76,865	(3,302)	771	0	(2,531)	

3. OPERATING EXPENSES

3a. BOARD STAFF COSTS

	2020/21 £'000	2019/20 £'000
Medical and Dental	235,143	231,869
Nursing	286,354	259,934
Other Staff	281,803	232,286
Total Staff Costs *	803,300	724,089

Note:

*Further detail and analysis of employee expenditure can be found in the Staff Report on page 64.

3b. BOARD NON STAFF OPERATING COSTS

	2020/21 £'000	2019/20 £'000
Independent Primary Care Services:		
General Medical Services	94,114	90,419
Pharmaceutical Services	28,707	23,785
General Dental Services	31,021	31,672
General Ophthalmic Services	11,619	11,006
Sub total Independent Primary Care Services	165,461	156,882
Drugs and medical supplies:		
Prescribed drugs Primary Care	100,854	102,164
Prescribed drugs Secondary Care	70,828	69,993
PPE and testing kits	14,609	0
Medical Supplies	55,217	56,182
Sub total Drugs and Medical Supplies	241,508	228,339
Other health care expenditure		
Contribution to Integration Joint Boards	637,088	552,878
Goods and services from other NHSScotland bodies	21,293	20,726
Goods and services from other UK NHS bodies	1,197	1,622
Goods and services from private providers	5,239	8,811
Goods and services from voluntary organisations	3,386	2,861
Resource Transfer	67,935	67,680
Loss on disposal of assets	75	0
Depreciation and impairment of non current assets	27,042	24,504
Clinical Negligence and Employers Liability payments	13,484	21,861
Utilities, rent and other property related costs	40,220	37,326
Purchase, hire, servicing and repair of equipment	28,108	22,155
Other operating expenses *	87,720	56,632
External Auditor's remuneration - statutory audit fee	197	193
Sub total other operating expenditure	932,984	817,249
Total Board Non Staff Operating Expenditure	1,339,953	1,202,470

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 25 to 27.

b) Other operating expenses includes the costs of all indirect services necessary to support the delivery of healthcare. These include food and other catering consumables; cleaning supplies; purchase, repair and laundry of linen; waste disposal; administrative costs such as postage, stationery, advertising and recruitment expenses; training and development of our staff; professional legal services and other specialist advisors; travel and subsistence for staff who travel as part of their duties and running costs for our transport fleet. A detailed analysis of NHS Grampian's operating costs is published annually by the Information and Statistics Division (ISD) at <http://www.isdscotland.org/Health-Topics/Finance/Costs>.

3c. OPERATING EXPENSES - CHARITABLE ENDOWMENT FUNDS

	2020/21 £'000	2019/20 £'000
Patient & Staff Education and Welfare	1,273	1,845
Clinical Research	769	1,126
Purchase of New Equipment	384	879
Infrastructure Improvements	549	679
Investment management	202	192
Total Charitable Endowment Funds	3,177	4,721
Intra Group Adjustment	(2,130)	(1,997)
Total Consolidated Operating Expenditure	2,144,300	1,929,283

4. OPERATING INCOME

4a. BOARD OPERATING INCOME

	2020/21 £'000	2019/20 £'000
Income from Scottish Government	315	332
Income from other NHS Scotland bodies	127,146	128,872
Income from NHS non-Scottish bodies	641	1,374
Income from private patients	0	13
Income for services commissioned by Integration Joint Board	604,826	553,829
Patient charges for primary care	1,151	6,651
Donations	3,590	1,376
Profit on disposal of assets	0	969
Contributions in respect of clinical and medical negligence claims (note b)	8,976	10,682
Non NHS:		
Overseas patients (non-reciprocal)	60	314
Other	21,832	27,733
Total Board Income	768,537	732,145

4.b. OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2020/21 £'000	2019/20 £'000
Total Income		
Donations	1,534	918
Legacies	677	1,080
Investment Income	1,314	1,533
Total Charitable Endowment Funds	3,525	3,531
Intra Group Adjustment	(2,130)	(1,997)
Total Consolidated Operating Income	769,932	733,679

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 25 to 27.

b) Income in respect of Clinical/Medical Negligence claims reflects the extent to which income will be received through the Scottish Government Health Directorates risk sharing arrangements to partially offset the cost of outstanding claims arising during the year.

5. SEGMENT INFORMATION

Segmental information as required under IFRS has been reported for each sector as follows :-

	Aberdeen City H&SCP £'000	Aberdeenshire H&SCP £'000	Moray H&SCP £'000	Acute Sector £'000	Corporate & others £'000	Mental Health & Learning Disabilities £'000	Dr Grays Hospital £000	Total £'000
Grampian Health Board Net operating cost 2020/21	225,187	226,010	94,172	440,987	314,785	40,722	32,853	1,374,716
PRIOR YEAR								
Grampian Health Board Net operating cost 2019/20	190,016	192,903	80,912	478,155	213,072	39,356	0	1,194,414

In 2020/21 Corporate & others includes costs of £12.07m in respect of adjustment made for PPE and testing kits.

In 2019/20 Dr Grays Hospital costs of £34,140k were included within the Acute Sector.

6. INTANGIBLE ASSETS

2020/21

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2020	3,297	1,865	0	5,162
Additions	1,455	84	0	1,539
Disposals	0	0	0	0
As at 31 March 2021	4,752	1,949	0	6,701
Amortisation				
As at 1 April 2020	2,208	1,620	0	3,828
Provided during the year	299	104	0	403
Disposals	0	0	0	0
As at 31 March 2021	2,507	1,724	0	4,231
Net Book Value at 1 April 2020	1,089	245	0	1,334
Net Book Value at 31 March 2021	2,245	225	0	2,470

PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2019	2,511	2,543	5	5,059
Additions	802	0	0	802
Disposals	(16)	(678)	(5)	(699)
As at 31 March 2020	3,297	1,865	0	5,162
Amortisation				
As at 1 April 2019	2,042	2,172	5	4,219
Provided during the year	182	126	0	308
Disposals	(16)	(678)	(5)	(699)
As at 31 March 2020	2,208	1,620	0	3,828
Net Book Value at 1 April 2019	469	371	0	840
Net Book Value at 31 March 2020	1,089	245	0	1,334

7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	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	30,785	476,257	1,369	2,340	132,499	25,876	3,925	22,100	695,151
Additions - purchased	0	3,290	0	43	21,916	1,727	21	14,618	41,615
Additions - donated	0	0	0	0	897	114	0	40	1,051
Completions	0	2,461	0	0	4,343	0	0	(6,804)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	(114)	(23,273)	(26)	0	0	0	0	0	(23,413)
Impairment charges	0	(1,616)	0	0	0	0	0	0	(1,616)
Impairment reversals	0	434	0	0	0	0	0	0	434
Disposals - purchased	0	0	0	(413)	(5,915)	(205)	(252)	0	(6,785)
Disposals - donated	0	0	0	(30)	(313)	0	(19)	0	(362)
At 31 March 2021	30,671	457,553	1,343	1,940	153,427	27,512	3,675	29,954	706,075
Depreciation									
At 1 April 2020	0	1,496	8	1,145	91,172	20,632	2,583	0	117,036
Provided during the year - purchased	0	14,052	75	223	7,715	1,485	261	0	23,811
Provided during the year - donated	0	540	0	3	872	121	30	0	1,566
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(14,232)	(75)	0	0	0	0	0	(14,307)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	0	0	(413)	(5,835)	(205)	(243)	0	(6,696)
Disposals - donated	0	0	0	(30)	(313)	0	(19)	0	(362)
At 31 March 2021	0	1,856	8	928	93,611	22,033	2,612	0	121,048
Net book value at 1 April 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115
Net book value at 31 March 2021	30,671	455,697	1,335	1,012	59,816	5,479	1,063	29,954	585,027
Open Market Value of Land in Land and Dwellings Included Above	3,625		0						
Asset financing:									
Owned - purchased	30,671	376,235	1,335	996	55,051	5,042	892	29,856	500,078
Owned - donated	0	22,276	0	16	4,765	437	171	98	27,763
Held on finance lease	0	12,923	0	0	0	0	0	0	12,923
On-balance sheet PFI contracts	0	44,263	0	0	0	0	0	0	44,263
Net book value at 31 March 2021	30,671	455,697	1,335	1,012	59,816	5,479	1,063	29,954	585,027

7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED (continued)

PRIOR YEAR

	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	31,536	450,482	1,336	1,811	134,888	30,841	4,348	13,380	668,622
Additions - purchased	0	232	0	989	4,544	333	0	9,845	15,943
Additions - donated	0	0	0	19	1,197	119	0	46	1,381
Completions	0	1,171	0	0	0	0	0	(1,171)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	(584)	23,836	33	0	0	0	0	0	23,285
Impairment charges	(146)	(479)	0	0	0	0	0	0	(625)
Impairment reversals	0	1,064	0	0	0	0	0	0	1,064
Disposals - purchased	(21)	(49)	0	(466)	(7,604)	(5,403)	(423)	0	(13,966)
Disposals - donated	0	0	0	(13)	(526)	(14)	0	0	(553)
At 31 March 2020	30,785	476,257	1,369	2,340	132,499	25,876	3,925	22,100	695,151
Depreciation									
At 1 April 2019	0	3,539	8	1,075	90,001	24,240	2,691	0	121,554
Provided during the year - purchased	0	12,868	72	196	8,075	1,705	281	0	23,197
Provided during the year - donated	0	472	0	1	793	102	30	0	1,398
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(15,382)	(72)	0	0	0	0	0	(15,454)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	(1)	0	(119)	(7,171)	(5,401)	(419)	0	(13,111)
Disposals - donated	0	0	0	(8)	(526)	(14)	0	0	(548)
At 31 March 2020	0	1,496	8	1,145	91,172	20,632	2,583	0	117,036
Net book value at 1 April 2019	31,536	446,943	1,328	736	44,887	6,601	1,657	13,380	547,068
Net book value at 31 March 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115
Open Market Value of Land in Land and Dwellings Included Above	3,350		0						
Asset financing:									
Owned - purchased	30,785	394,317	1,361	1,176	36,587	4,800	1,141	22,042	492,209
Owned - donated	0	23,277	0	19	4,740	444	201	58	28,739
Held on finance lease	0	11,194	0	0	0	0	0	0	11,194
On-balance sheet PFI contracts	0	45,973	0	0	0	0	0	0	45,973
Net book value at 31 March 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115

7b. ASSETS HELD FOR SALE

The assets held for sale at 31st March 2021 were Inverurie Health Centre and a plot of Land, May Baird Avenue, on the Royal Cornhill Site. Offers of purchase have been received for both Inverurie Health Centre and May Baird avenue with all planning conditions expected to be settled and sale completed during 2021/22.

ASSETS HELD FOR SALE - CONSOLIDATED

Note	Property, Plant & Equipment £000
At 1 April 2020	1,057
Losses recognised on re-measurement of non-current assets held for sale	(80)
Disposals of non-current assets held for sale	0
At 31 March 2021	977

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment £000
At 1 April 2019	1,942
Transfers from property plant and equipment	0
Gain or losses recognised on re-measurement of non-current assets held for sale	(40)
Disposals of non-current assets held for sale	(845)
At 31 March 2020	1,057

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

	2020/21 £000	2019/20 £000
Net book value of property, plant and equipment at 31 March		
Purchased	557,264	549,376
Donated	27,763	28,739
Total	585,027	578,115

Property, plant and equipment includes land and buildings which have been taken out of operational use and declared surplus as follows :-

Net book value of surplus land valued at open market value at 31 March	3,625	3,350
Net book value of surplus buildings valued at open market value at 31 March	0	0

Property, plant and equipment includes assets held under Finance Leases and Service Concession arrangements as follows :-

Total value of assets held under:		
Finance Leases	12,923	11,194
PFI and PPP Contracts	44,263	45,973
	57,186	57,167
Total depreciation charged in respect of assets held under:		
Finance leases	409	269
PFI and PPP contracts	890	839
	1,299	1,108

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2021 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an decrease of £9.106m (2019-20: an increase of £38.739m) which was charged to the revaluation reserve. Impairment of £1.26m (2019-20 reversal of £0.399m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

7d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2020/21 £'000	2019/20 £'000
Expenditure			
Acquisition of intangible assets	6	1,539	802
Acquisition of property, plant and equipment	7a	41,615	15,943
Donated asset additions	7a	1,051	1,381
GP Sustainability Loans		462	0
Gross Capital Expenditure		44,667	18,126
Income			
Net book value of disposal of property, plant and equipment		89	855
Net book value of disposal of donated assets		0	5
Value of disposal of non-current assets held for sale		0	845
HUB - repayment of investment		9	11
Transfer of assets from other NHS Boards		202	0
Donated asset income		1,051	1,376
Capital Income		1,351	3,092
Net Capital Expenditure		43,316	15,034
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		42,246	15,034
Non Core Capital Resource Limit		1,070	0
Total Capital Resource Limit		43,316	15,034
Saving / (excess) against Total Capital Resource Limit		0	0

8. INVENTORIES

	2020/21 £000	2019/20 £000
Raw materials and consumables	6,664	7,197

9. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Group 2020/21 £'000	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Group 2019/20 £'000
Receivables due within one year								
NHS Scotland Boards	13,125			13,125	10,839			10,839
NHS Non-Scottish Bodies	708			708	835			835
VAT recoverable	1,585			1,585	1,184			1,184
Prepayments	4,396			4,396	4,319			4,319
Accrued income	2,198	269		2,467	2,947	129	0	3,076
Other Receivables	12,115	101	(551)	11,665	6,440	24	(882)	5,582
Reimbursement of provisions	48,532			48,532	18,419			18,419
Other Public Sector Bodies	2,149			2,149	2,188			2,188
Total Receivables due within one year	84,808	370	(551)	84,627	47,171	153	(882)	46,442
Receivables due after more than one year								
Accrued income	3,521			3,521	3,491			3,491
Reimbursement of Provisions	47,216			47,216	85,343			85,343
Total Receivables due after more than one year	50,737	0	0	50,737	88,834	0	0	88,834
TOTAL RECEIVABLES	135,545	370	(551)	135,364	136,005	153	(882)	135,276
The total receivables figure above includes a provision for bad debts of :	2,645			2,645	2,270			2,270
WGA Classification								
NHSScotland	13,125			13,125	10,839			10,839
Central Government Bodies	1,759			1,759	1,694			1,694
Whole of Government Bodies	1,975			1,975	1,678			1,678
Balances with NHS Bodies in England and Wales	708			708	835			835
Balances with bodies external to Government	117,978	370	(551)	117,797	120,959	153	(882)	120,230
Total	135,545	370	(551)	135,364	136,005	153	(882)	135,276

9. TRADE AND OTHER RECEIVABLES (Cont)

	2020/21 £'000	2019/20 £'000
Movements on the provision for impairment of receivables are as follows:		
At 1 April	2,270	1,766
Provision for debtors impairment	457	522
Receivables written off during the year as uncollectable	(82)	(18)
At 31 March	2,645	2,270

As of 31 March 2021, receivables with a carrying value of £2.645m (2019-20: £2.270m) were impaired and provided for. The ageing of these receivables is as follows:

	2020/21 £'000	2019/20 £'000
Up to 6 months past due	376	218
Over 6 months past due	2,269	2,052

The impaired value of £2.65 million (2020 £2.27 million) includes £1.06 million (2020 £1.07 million) related to NHS Injury Cost Recovery Scheme. The remaining £1.6 million (2020 £1.2 million) reflects the impairment of trade receivables calculated using an expected credit loss model in line with IFRS 9.

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 £6.1 million (2019-20: £3.3 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2020/21 £'000	2019/20 £'000
Up to 3 months past due	4,620	1,471
3 to 6 months past due	638	417
Over 6 months past due	873	1,391
	6,131	3,279

The receivables assessed as past due but not impaired were NHS Scotland Health Boards, and debt with NHS England, Wales and Northern Ireland bodies (where the debt was less than 120 days old) and there is no history of default from these customers recently.

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

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

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

	2020/21 £'000	2019/20 £'000
Existing customers with no defaults in the past	11,849	7,552

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

	2020/21 £'000	2019/20 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	135,364	135,276

All non-current receivables are due within 20 years (2019-20: 20 years) from the balance sheet date.

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

The fair value of long term other receivables is £50.7m (2019-20 £88.8m).

The effective interest rate on non-current other receivables is 0.7% (2019-20: 0.7%). Pension liabilities are discounted at -0.95% (2019-20: -0.5%).

10. FINANCIAL ASSETS

	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Group 2020/21 £'000	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Group 2019/20 £'000
Stocks and Bonds **	0	50,151	50,151	0	41,826	41,826
Other *	646	0	646	432	0	432
TOTAL	646	50,151	50,797	432	41,826	42,258
At 1 April	432	41,826	42,258	443	44,247	44,690
Additions	223	7,117	7,340	0	8,572	8,572
Disposals	(9)	(7,118)	(7,127)	(11)	(8,576)	(8,587)
Revaluation (deficit)/surplus transferred to equity	0	8,326	8,326	0	(2,417)	(2,417)
At 31 March	646	50,151	50,797	432	41,826	42,258
Current	0	0	0	0	0	0
Non-current	646	50,151	50,797	432	41,826	42,258
At 31 March	646	50,151	50,797	432	41,826	42,258

Note:

*Other financial assets comprise a further small shareholding in HUB North of Scotland Ltd an unlisted investment denominated in UK pounds and £432k 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 Aberdeen Health and Care Village, Forres, Woodside, Inverurie and Foresterhill Health Centres and a new Loan of £461k to Stonehaven Medical Group on which no interest is chargeable and as such the net present value of the loan is £223k. Section 10 of the National Code of practice for GP premises entitles all GP contractors who own their premises to receive an interest free loan from their Health Board in order to increase the stability of the practice and increase the incentive of being a partner in a practice which owns its premises. The loan is repayable on sale of the premises or cancellation of the General Medical Services Contract.

The carrying value of other investments is cost less impairment as there is no active market for the equity investments or the loans.

**Stocks and Bonds relate to the Charitable Endowment Funds which are invested in a portfolio of bonds and equity investments, managed by the Funds appointed Investment managers Standard Life Wealth Ltd., 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

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000
Government Banking Service account balance	2,441	(1,837)	604	1,935	(76)	1,859	0	0	0	4,376	(1,913)	2,463
Cash at bank and in hand	357	(270)	87	0	0	0	0	0	0	357	(270)	87
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	2,798	(2,107)	691	1,935	(76)	1,859	0	0	0	4,733	(2,183)	2,550
CASH AND CASH EQUIVALENTS - PRIOR YEAR												
	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000
Government Banking Service account balance	2,021	420	2,441	2,350	(415)	1,935	0	0	0	4,371	5	4,376
Cash at bank and in hand	95	262	357	0	0	0	0	0	0	95	262	357
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	2,116	682	2,798	2,350	(415)	1,935	0	0	0	4,466	267	4,733

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

12. TRADE AND OTHER PAYABLES

					Charitable			
	NHS Grampian 2020/21 £'000	Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Group 2020/21 £'000	NHS Grampian 2019/20 £'000	Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Group 2019/20 £'000
Payables due within one year								
NHS Scotland Boards	8,522			8,522	7,578			7,578
NHS Non-Scottish Bodies	715			715	1,160			1,160
Amounts Payable to General Fund	692			692	2,798			2,798
FHS Practitioners	15,624			15,624	18,307			18,307
Trade Payables	6,752	31		6,783	297			297
Accruals	48,792	397		49,189	31,916	212	0	32,128
Deferred income	762			762	571			571
Net obligations under Finance Leases	439			439	331			331
Net obligations under PPP/PFI Contracts	852			852	786			786
Income tax and social security	16,599			16,599	14,188			14,188
Superannuation	12,938			12,938	11,222			11,222
Holiday Pay Accrual	16,706			16,706	3,196			3,196
Other Public Sector Bodies	48,295	477	(551)	48,221	7,622	883	(882)	7,623
Other payables	3,411			3,411	2,135			2,135
Total Payables due within one year	181,099	905	(551)	181,453	102,107	1,095	(882)	102,320
Payables due after more than one year								
Net obligations under Finance Leases due within 2 years	469	0	0	469	359	0	0	359
Net obligations under Finance Leases due after 2 years but within 5 years	1,431	0	0	1,431	1,185	0	0	1,185
Net obligations under Finance Leases due after 5 years	3,593	0	0	3,593	2,589	0	0	2,589
Net obligations under PPP/PFI Contracts due within 2 years	923	0	0	923	851	0	0	851
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	3,259	0	0	3,259	3,010	0	0	3,010
Net obligations under PPP/PFI Contracts due after 5 years	32,434	0	0	32,434	33,607	0	0	33,607
Total Payables due after more than one year	42,109	0	0	42,109	41,601	0	0	41,601
TOTAL PAYABLES	223,208	905	(551)	223,562	143,708	1,095	(882)	143,921
WGA Classification								
NHSScotland	8,522				7,578			
Central Government Bodies	29,670				25,475			
Whole of Government Bodies	48,162				7,558			
Balances with NHS Bodies in England and Wales	715				1,160			
Balances with bodies external to Government	136,139				101,937			
Total	223,208				143,708			
Borrowings included above comprise:								
Finance Leases	5,932				4,464			
PFI Contracts	37,468				38,254			
	43,400				42,718			
The carrying amount and fair value of the non-current borrowings are as follows :								
Carrying amount								
Finance Leases	5,493				4,133			
PFI Contracts	36,616				37,468			
	42,109				41,601			
The carrying amount of payables are denominated in Pound Sterling	223,208	905	(551)	223,562	143,708	1,095	(882)	143,921

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

13. PROVISIONS

	NHS GRAMPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non- endowment) £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2020	8,156	99,037	55,697	0	162,890	6,052	6,052	168,942
Arising during the year	400	3,193	3,296	608	7,497	2,988	2,988	10,485
Utilised during the year	(450)	(5,188)	(3,364)	0	(9,002)	(2,282)	(2,282)	(11,284)
Unwinding of discount	167	0	0	0	167	0	0	167
Reversed unutilised	(120)	(2,605)	0	0	(2,725)	(724)	(724)	(3,449)
At 31 March 2021	8,153	94,437	55,629	608	158,827	6,034	6,034	164,861

The amounts shown above 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

	NHS GRAMPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non- endowment) £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
Payable in one year	482	47,324	13,875	0	61,681	5,149	5,149	66,830
Payable between 2 - 5 years	1,913	47,113	33,806	0	82,832	885	885	83,717
Payable between 6 - 10 years	1,888	0	2,876	0	4,764	0	0	4,764
Thereafter	3,870	0	5,072	608	9,550	0	0	9,550
Total as at 31 March 2021	8,153	94,437	55,629	608	158,827	6,034	6,034	164,861

PRIOR YEAR

	NHS GRAMPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non- endowment) £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2019	7,512	95,069	48,153	0	150,734	5,223	5,223	155,957
Arising during the year	780	14,553	7,544	0	22,877	4,277	4,277	27,154
Utilised during the year	(462)	(7,749)	0	0	(8,211)	(2,921)	(2,921)	(11,132)
Unwinding of discount	376	0	0	0	376	0	0	376
Reversed unutilised	(50)	(2,836)	0	0	(2,886)	(527)	(527)	(3,413)
At 31 March 2020	8,156	99,037	55,697	0	162,890	6,052	6,052	168,942

The amounts shown above 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

	NHS GRAMPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non- endowment) £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
Payable in one year	482	13,523	9,469	0	23,474	4,244	4,244	27,718
Payable between 2 - 5 years	1,924	85,513	33,418	0	120,855	1,808	1,808	122,663
Payable between 6 - 10 years	1,923	0	2,785	0	4,708	0	0	4,708
Thereafter	3,827	1	10,025	0	13,853	0	0	13,853
At 31 March 2020	8,156	99,037	55,697	0	162,890	6,052	6,052	168,942

13. PROVISIONS (cont)

Other (non-endowment)

The provision of £0.608 million relates to the estimated future costs of disposal of the Cyclotron, a high value specialist piece of equipment, installed during the year.

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 negative 0.95% (2019/20 negative 0.5%) in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

Charitable Endowment Funds

The provision relates to the funding of posts within NHS Grampian where the term of employment extends beyond the end of the financial year and other expenditure commitments resulting in a legal or constructive obligation. The posts are all of a fixed term nature and are involved primarily in the provision of research in conjunction with the University of Aberdeen.

Clinical and Medical

The Board holds a provision to meet costs of 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 the gross cost of settlement awards, legal expenses and third party costs discounted by the Treasury discount rate of negative 0.75% in real terms (2019/20 negative 0.75%). The impact of this provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS*).

As a result of participation in the CNORIS scheme, however, the Board is also required to create a separate related but distinct provision recognising the Board's share of the total CNORIS liability of NHS Scotland (the estimated contributions to the scheme in future years).

The net impact of both of these provisions offset by the associated receivable is shown below:-

2019/20 £000's		Note	2020/21 £000's
99,037	Provision recognising individual claims against the NHS Board at 31 March (**)	Note 13	94,437
(103,762)	Associated CNORIS receivable at 31 March	Note 9	(95,748)
55,697	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 13	55,629
50,972	Net Total Provision relating to Clinical Negligence and Other Risks at 31 March		54,318

Notes:

*The CNORIS scheme has been in operation since 2000 and participation is mandatory for all NHS boards in Scotland. The scheme helps Boards manage the financial risks associated with large value settlements through a national risk pooling arrangements for legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. Any claims with a value less than the agreed "excess" of £25k are met directly from within the Board's own budget. Further information on the scheme can be found at this [link](#)

14. CONTINGENT LIABILITIES AND ASSETS

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

	2020/21 £000	2019/20 £000
CONTINGENT LIABILITIES*		
Clinical and medical compensation payments	17,363	18,056
Employers Liability payments	45	5
CONTINGENT ASSETS**		
Clinical and medical compensation payments	17,408	17,524

*The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 13, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium risk of NHS Grampian having to make settlement.

**The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in note 13 above.

The following unquantified contingent liabilities existed at the Balance Sheet date:

There are also further claims for clinical negligence and employer's liability against NHS Grampian that the Central Legal Office of the Scottish Government Health Directorates estimates that there is a low risk of NHS Grampian having to make a settlement.

NHS Grampian operates services from a number of leased premises which carry an obligation for the costs of dilapidation of the premises on expiry of the lease term. For those premises which have an unexpired lease term of five years or more or the nature and extent of the dilapidation and therefore the associated liability cannot be quantified until the lease is close to expiry.

15. Commitments

The Board has the following Commitments relating to investment in infrastructure which have not been provided for in the accounts :

	2020/21 £000	2019/20 £000
Contracted		
Royal Cornhill Hospital Ligature Reduction	2,862	2,256
Baird & Anchor - Stage 3 & Stage 4	183,083	302
Elective Care Centre	0	284
Denburn and Northfield Health Centre Replacement	0	53
Cyclotron Replacement	176	647
Pharmacy Robot Replacement	0	308
Cardiac Catheter Labs	0	2,025
Dr Gray's Ward 7	760	919
Dr Gray's Renal	0	494
Energy Centre BMS	0	59
Fire Safety Works	0	58
Electrical Works	0	53
Peterhead Lift Replacement	0	90
External Building Fabric	0	66
Loading Bay Duct	0	90
Labs Array Scanner	0	111
Other Minor Equipment Replacement	130	102
Brachytherapy	240	0
Dr Gray's Birthing Unit	73	0
Cath Labs	343	0
	0	0
	0	0
Total	187,667	7,917
Authorised but not Contracted		
Baird & Anchor	17,324	208,242
Greenspace	994	1,064
Elective Care	47,239	48,557
Denburn & Northfield Health Centre Replacements	0	7,655
Brachytherapy	0	773
	0	0
	0	0
Total	65,557	266,291

Financial Guarantees, indemnities and letter of comfort

NHS Grampian has not entered into any other quantifiable guarantees, indemnities or provided letters of comfort prior to the date of publication of the accounts.

16. COMMITMENTS UNDER LEASES

Operating Leases

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

Obligations under operating leases comprise:	2020/21 £'000	2019/20 £'000
Land		
Not later than one year	354	223
Later than one year, not later than 2 years	354	223
Later than two year, not later than five years	1,002	670
Later than five years	2,104	1,262
Total	3,814	2,378
Buildings		
Not later than one year	465	505
Later than one year, not later than 2 years	413	471
Later than two year, not later than five years	1,116	1,310
Later than five years	1,429	1,879
Total	3,423	4,165
Other		
Not later than one year	819	851
Later than one year, not later than 2 years	900	789
Later than two year, not later than five years	1,957	1,932
Later than five years	11,081	11,081
Total	14,757	14,653
Amounts charged to Operating Costs in the year were:		
Hire of equipment (including vehicles)	2,785	2,659
Other operating leases	1,548	1,326
Total	4,333	3,985

Finance Leases

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

Obligations under Finance leases comprise:

Buildings		
Rentals due within one year	1,222	910
Rentals due between one and two years (inclusive)	1,222	919
Rentals due between two and five years (inclusive)	3,488	2,789
Rentals due after five years	7,191	5,813
	<u>13,123</u>	<u>10,431</u>
Less interest element	(7,191)	(5,967)
	<u>5,932</u>	<u>4,464</u>

This total net obligation under finance leases is analysed in Note 12 (Payables).

17. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - ON BALANCE SHEET

Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14 November 2013, Woodside Fountain Health Centre effective 28 June 2014, Forres Health and Community Care Centre effective 9 August 2014, the Energy Centre at Inverurie effective 16 January 2018, Foresterhill Health Centre effective 8 May 2018 and the Inverurie Health and Community Care Hub effective 23 July 2018. Under the terms of the Hub agreements NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur charges for occupancy, maintenance and running costs. The net book value of assets financed under the HUB initiative is disclosed in note 7(a) and 7(c).

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

	2020/21 £'000	2019/20 £'000
Gross Minimum Lease Payments		
Rentals due within 1 year	3,658	3,653
Due within 1 to 2 years	3,667	3,657
Due within 2 to 5 years	11,061	11,034
Due after 5 years	55,112	58,804
Total	73,498	77,148
Less Interest Element		
Rentals due within 1 year	(2,806)	(2,867)
Due within 1 to 2 years	(2,744)	(2,806)
Due within 2 to 5 years	(7,802)	(8,024)
Due after 5 years	(22,678)	(25,197)
Total	(36,030)	(38,894)
Present value of minimum lease payments		
Rentals due within 1 year	852	786
Due within 1 to 2 years	923	851
Due within 2 to 5 years	3,259	3,010
Due after 5 years	32,434	33,607
Total	37,468	38,254
Service elements due in future periods		
Rentals due within 1 year	1,253	1,226
Due within 1 to 2 years	1,278	1,255
Due within 2 to 5 years	3,986	3,906
Due after 5 years	23,372	24,729
Total	29,889	31,116
Interest charges	2,867	2,917
Service charges	1,213	1,194
Principal repayment	786	721
Other charges (Contingent rents)	13	1
Total	4,879	4,833

18. PENSION COSTS

	2020/21 £000	2019/20 £000
Pension cost charge for the year	102,547	93,203
Additional Costs arising from early retirement	0	0
Provisions included on the Statement of Financial Position	8,153	8,156

NHS Grampian participates in the NHS Pension scheme (Scotland) which 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, with reference to the most recent funding valuation undertaken by the scheme actuary as at 31 March 2016, is set at 20.9% of pensionable pay from 1 April 2019. The employee rate is variable and will provide an actuarial yield of 9.6% of pensionable pay.

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

The Scheme is an unfunded multi-employer defined benefit scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19. Details of the most recent scheme accounts published by the Scottish Public Pensions Agency (SPPA) can be accessed at the following [link](#).

NHS Grampian has no liability for other employers obligations to the multi-employer scheme and 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.

For 2020/21, normal employer contributions of £102.5 million were payable to the SPPA (2019/20 £93.2 million) at the rate of 20.9% of pensionable salaries (2019/20 20.9%). The total contributions made to the scheme, across all employers, for 2019/20 were £1,159.6 million (2018/19 £791.8 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2019/20 was 8% (2018/19 8%). During 2020/21 NHS Grampian incurred no additional costs arising from the early retirement of staff (2019/20 nil). Provisions amounting to £8.2 million (2019/20 £8.2 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008 and again from 1 April 2015.

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2019-20 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The previous 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.

18. PENSION COSTS (cont)

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 <http://www.sppa.gov.uk/>

The 1995 Section

Benefits are calculated on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5.2% and 14.7% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

The 2008 Section

Benefits are calculated on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings.

National Employment Savings Trust (NEST)

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

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

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

Pension members can chose 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.

19. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000
At 31 March 2021												
Assets per Statement of Financial Position												
Investments	0	646	646	0	50,151	50,151	0	0	0	0	50,797	50,797
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	20,691	0	20,691	370	0	370	(551)	0	(551)	20,510	0	20,510
Cash and cash equivalents	692	0	692	1,859	0	1,859	0	0	0	2,551	0	2,551
	21,383	646	22,029	2,229	50,151	52,380	(551)	0	(551)	23,061	50,797	73,858

PRIOR YEAR

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020												
Assets per Statement of Financial Position												
Investments	0	432	432	0	41,826	41,826	0	0	0	0	42,258	42,258
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	15,901	0	15,901	153	0	153	(882)	0	(882)	15,172	0	15,172
Cash and cash equivalents	2,798	0	2,798	1,935	0	1,935	0	0	0	4,733	0	4,733
	18,699	432	19,131	2,088	41,826	43,914	(882)	0	(882)	19,905	42,258	62,163

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
At 31 March 2021			
Liabilities per Statement of Financial Position			
Finance lease liabilities	5,932	0	5,932
HUB Service Concession Liabilities	37,468	0	37,468
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	140,987	905	141,341
	184,387	905	184,741

19. FINANCIAL INSTRUMENTS (cont)
b) 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.

The Board provides written principles for overall risk management, as well as written policies covering credit control.

• **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 rate '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.

• **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 risk.

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

Liquidity Risk

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2021				
PFI Liabilities	3,658	3,667	11,061	55,112
Finance lease liabilities	1,222	1,222	3,488	7,191
Trade and other payables excluding statutory liabilities	141,341	0	0	0
Total	146,221	4,889	14,549	62,303
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2020				
PFI Liabilities	3,653	3,657	11,034	58,804
Finance lease liabilities	910	919	2,789	5,813
Trade and other payables excluding statutory liabilities	67,644	0	0	0
Total	72,207	4,576	13,823	64,617

19. FINANCIAL INSTRUMENTS - continued
b) FINANCIAL RISK FACTORS - continued

- **Market Risk**

The NHS Board has no power 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

NHS Grampian has no exposure to foreign exchange rates during the course of normal business arrangements. Exceptionally a major capital scheme will carry a foreign exchange risk in relation to the procurement of specialist equipment or materials. Generally the terms of the contract will provide that this risk will be met by the supplier. NHS Grampian will be exposed to foreign exchange fluctuations only where unforeseen delays in project timescales arise which are not contractually the responsibility of the supplier.

iii) Price Risk

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

- **FAIR VALUE ESTIMATION**

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

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

The carrying value of Stocks and Bonds (relating to charitable endowment funds) is market value. The inputs to the valuation technique used to measure the fair value of all Stocks and Bonds as disclosed in Note 10 have been assessed as level 1 in the fair value hierarchy defined in IFRS 13 i.e. they are based on quoted bid prices in an active market for identical assets and liabilities. No Stocks or Bonds have been valued using level 2 or 3 inputs in the current or prior year.

20. THIRD PARTY ASSETS

In certain circumstances, usually during period of long term care, NHS Grampian is responsible for the safekeeping and administration of patients' own funds during their stay in hospital. These funds are accounted for and administered separately to NHS Grampian accounts and are subject to an annual independent external audit. The amounts held by NHS Grampian on behalf of patients are as follows:

	2019/20	Gross Inflows	Gross Outflows	2020/21
	£000	£000	£000	£000
Monetary amounts including bank balances	200	174	(214)	160

21. RELATED PARTIES

Integration Joint Boards (IJBs)

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJBs), Moray, Aberdeen City and Aberdeenshire, are established in Grampian with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive Directors of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The financial results of each IJB are consolidated, as a Joint Venture, into the financial statements of NHS Grampian.

NHS Grampian had the following transactions with each IJB in 2020/21 :-

- Aberdeen City – Income £261.2m, expenditure £273.0m and a retained creditor balance of £14.4m. (2019/20 income £239.4 million, expenditure £236.4 million and a retained creditor balance of £2.6 million).
- Aberdeenshire – Income £242.8 million, expenditure £257.3 million and a retained creditor balance of £17.5 million. (2019/20 Income £221.6 million, expenditure £223.3 million and a retained creditor balance of £3.1 million).
- Moray – Income £100.8 million, expenditure £106.8 million and a retained creditor balance of £6.2 million. (2019/20 Income £92.8 million, expenditure £93.2 million and a retained creditor balance of £0.6 million).

NHS Grampian Endowment Funds

All members of the NHS Grampian Board also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2021 was £45.441 million (2019/20 £36.767 million). During the year payments totalling £2.031 million (2019/20 £1.845 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities including infrastructure improvement for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.099 million (2019/20 £0.152 million) from NHS Grampian mainly from income for research activities.



Grampian 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