Highland Health Board

ANNUAL REPORT and ACCOUNTS

for

THE YEAR ENDED 31 MARCH 2023

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ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED MARCH 2023

THE PERFORMANCE REPORT

Overview

This overview summarises the key issues faced by NHS Highland in 2022/23, provides a broad description of the Board and its governance, looks at performance in the year towards the achievement of operational targets and looks ahead to the priorities to be addressed in 2023/24.

1.1 Chief Executive Statement

Over the period 2022/23 NHS Highland has continued to adapt and evolve as a health and care service to the population of Highland and Argyll and Bute as part of a whole system working for our communities across our wide geography.

COVID has continued to test us but our teams across acute and community have continued to remobilise to a new normal, innovating and working together to address the challenges we face. As a result the success of the vaccination programme we saw far fewer admissions to hospital due to COVID in this period.

I would personally like to take this opportunity to recognise the dedication and commitment of colleagues across NHS Highland. We will succeed if we continue to work collaboratively and put quality and compassion at the heart of everything we do to ensure we continue to progress in this next phase of recovery.

In September 2022 our new five-year strategy, Together We Care: With You, For You was approved by the Board. This followed extensive engagement exercise in 2021/22 and the strategy was developed based on the feedback of our patients, service users, their families and carers, and our colleagues and partners. Together with our Annual Delivery Plan, Workforce Plan and Financial Plan, it sets not only the strategic direction but also the priorities and actions to be achieved, making NHS Highland transparent in its objectives and increasing accountability.

We have worked hard with Argyll and Bute Integration Joint Board to ensure our strategy dovetails with and responds to the needs set out in the Strategy already in place for the population through the integration arrangements. We are also cognisant of our role as community planning partners as we seek to support the work of the Highland and Argyll and Bute Outcomes Improvement Plans, our Integrated Children's Services Plans and our role in Public Protection. Over the latter part of 2022/23 work began on co-creating a Highland Health & Social Care Partnership Strategic plan reflecting the duties of the integration authorities lead agency arrangements with the Highland Council. This will set the direction for the future of the partnership in the Highland area in the coming years.

NHS Highland Board moved into 2022/23 on level 4 of the NHS Scotland Board Escalation Framework in relation to the key areas of finance, performance, mental health and culture. The progress we have made on performance and culture meant we were de-escalated to level 3 with the outstanding areas being finance and mental health. Since then, we have continued to make progress in mental health and this is evident in the latest performance figures.

However, our financial position is extremely challenging. We started 2022/23 with a deficit of £42.272 million, reflecting increases to costs during the year, including agency and locum spend, prescribing pressures and fuel and power inflation. Financial brokerage has been received from Scottish Government to cover the end of year deficit of £15.889 million.

Our ambition remains to increase capacity and improve our health and care services so that we can meet rising demand for our services, treating more people in improved settings than ever before however this is set against less resources to invest. As we move forward we will need to consider at every level how we spend the resources we have and all colleagues understand the significant savings we need to achieve. The scale of transformation and change needed to achieve these savings is hugely ambitious. We must make every penny of public money count,

both in our revenue and capital budgets. This includes, for example, exploring ways to encourage suppliers to contribute to public wellbeing, 'growing our own' local talent through apprenticeships and training schemes, and making the most of IT and systems in place to save time and reduce administration, in addition to the longer-term sustainability transformation required.

NHS Highland continues to deliver in key performance areas, maintaining its position as the second top performing Scottish mainland Health Board against the 95% target for four-hour Emergency Department despite very challenging circumstances.

NHS Highland has successfully maintained outpatient and surgical service despite a very high level of delayed discharges across our system. The longer-term effects on our population, however, are still very evident and in many ways more challenging. We are left with longer waiting lists and a population with more complex health needs.

Cancer services have been a priority for us however our performance in this area has not been as good as we would want for our population therefore a focused improvement plan has been developed to tackle this. This performance deterioration is also set against a backdrop of challenges relating to the recruitment of consultant oncologists and therefore the Highland cancer teams are to be commended for their continuing efforts to deliver safe, effective, and timely care.

As the only board in Scotland to directly provide Adult Social Care Services within our Highland arrangements as lead agency, but equally prevalent within our integration arrangements in Argyll and Bute, we have seen a strain on resources, as we seek to support people with increasingly complex health and care needs and keep them out of hospital.

Unfortunately, several care homes in our area have closed over the past year, as rising energy and wage costs, combined with a lack of locally available staff, make this part of the system very vulnerable with huge sustainability challenges.

Care at home services are also fragile, with rising fuel costs having an impact in an area where carers often travel long distances to people's homes. In areas with no other provision, NHS Highland has had to take over operating a number of care homes as part of the partnership arrangements with Highland Council who hold the statutory duty. We are keen to explore both ways to promote caring as a career choice and how communities can support homes in their area as we seek to stabilise the sector.

These challenges have necessitated new approaches and innovation, not least in recruitment. Our Aim High Aim Highland recruitment campaign helped us to recruit sufficient new colleagues to staff the National Treatment Centre Highland, as well as boosting ongoing recruitment, particularly for more senior roles. Our reservist recruitment campaign has provided some hope and learning for the future, with significant interest shown to be part of a more flexible social care workforce in your own locality.

The current climate means we must investigate new service models, too, making our new Engagement Framework absolutely vital. This framework sets out how we will engage with communities, not only around major capital projects and service redesigns, but in an ongoing dialogue. It is a step towards the co-design and co-production approach that will be needed if we are to change how we deliver care, working with communities to deliver localised, preventative, and person-centred services which will help to keep people at home, or as close to home as possible. We are also cognisant of our role as community planning partners as we seek to support the work of the Outcomes Improvement Plans, Integrated Children's Services Plans and our role in Public Protection.

Our capital programme has had an exciting year, with a replacement for the Belford Hospital in Fort William and Caithness Hospital in Wick receiving initial agreement from the Scottish Government's Capital Investment Group and we are now progressing the Outline Business Case

for both projects. In Inverness, the National Treatment Centre Highland (NTC-H) is now complete and opened to patients in April 2023, enabling us to offer orthopaedic and ophthalmology treatment to people across the north of Scotland, reducing pressure on waiting lists and offering a patient experience that will be second to none. This has been an outstanding project, attracting new talent and opening up possibilities for working across locations. The possibilities for technology, innovation and patient care have inspired teams across the Board.

This year we said goodbye to a number of colleagues whose skills, experience and good humour have been invaluable. Our long-standing Nurse Director Heidi May retired, and is replaced by Louise Bussell, who was previously Chief Officer for Community Services in Highland. Louise is succeeded on an interim basis by Pam Cremin. Our Finance Director David Garden also retired, and we welcomed Heledd Cooper into that position. Claire Copeland took over the permanent role of Deputy Medical Director, Community, from Denise McFarlane, who had been covering the position on an interim basis.

Our Director of People and Culture, Fiona Hogg, has moved on to a new role in Scottish Government. Fiona would be the first to say that cultural transformation is a team sport, but there can be no doubt that she has played an important role in leading our culture programme. This has included putting in place and promoting ways for colleagues to speak up and be heard, a review of HR systems, and improvements to communications and engagement. The work of the Independent Review Panel (IRP) of the Healing Process is now concluded, and we will continue to implement the recommendations and learn from the themes raised in the Panel's reports.

My huge thanks go to all those individuals who have helped to lead NHS Highland and contributed so much to our journey, and I know everyone will warmly welcome the skills and fresh perspectives of new colleagues.

Last, but by no means least, I must record my gratitude to our outgoing Chair, Professor Boyd Robertson. Boyd joined the Board, originally temporarily, at a difficult time for NHS Highland, and chose to stay and lead us through a period of transformation. He has been not only an ambassador for the Board, facing challenges with wise counsel and unswerving decency, but also a champion: making the case for remote and rural health and care, and showcasing our many successes. He leaves us for an extremely well-earned retirement, and I know that one particular achievement he will be proud of is the agreement for NHS Highland to shortly roll out a new dual-language Gaelic-English logo.

Looking ahead to 2023/24, as we begin to plan for the future, I am confident that our resilience and the strong relationships we have built with our partners over the previous challenging years will stand us in good stead to harness the opportunities that exist to improve and innovate.

I remain extremely proud of our staff, and I look forward to working with you all, the Board and our partners to continue to deliver excellent, sustainable health and social care services for our communities across Highland, Argyll & Bute. As a board we remain committed to putting people at the centre of what we do, our staff, patients and their families and we will continue to do everything we can to create the best conditions for people to thrive in their workplace and as a result deliver the best care to those of you who find yourself with us.

Pamela Dudek
Chief Executive
NHS Highland

1.2 About NHS Highland

NHS Highland is one of 14 territorial boards in NHS Scotland and covers the Highland and Argyll and Bute council areas. We provide services across 40% of Scotland's land mass and service a population of over 330,000. We have over 10,500 people who work within NHS Highland, including those in Argyll & Bute HSCP. This does not include our important colleagues who are employed by councils and other partners. Our services are delivered across four acute sites, 17 community hospitals and numerous community settings. We have 66 care homes in the Highland Council area, of which 50 are independent. We have seen an increase in care homes permanently closing in the past years. We are unique amongst territorial boards in having a lead agency model for health and social care in the Highland Council area, with NHS Highland having responsibility for delivering adult social care. In Argyll and Bute, we operate as part of an Integrated Joint Board. The diverse geography includes Inverness, one of the fastest growing cities in Western Europe, and 36 populated islands (23 in Argyll & Bute and 13 in Highland). Gaelic is spoken in some areas. Our population lives with some challenges, including areas of deprivation and inequality and issues arising from fuel poverty, transport difficulties and the rising cost of living. People living in the NHS Highland area are also older than the Scottish average and can have increasingly complex health and care needs. The economy is heavily reliant on tourism, with seasonal work being common, although an impact of COVID has seen tourism become much more of a year-round business and that has added to our staffing challenges. It is also an area often cited as having one of the best standards of living in the UK, with clean air, access to a beautiful outdoor landscape, and engaged communities. People are proud of their area, and we want to work with them to find new ways to support delivering health and care as close to people's homes as possible.

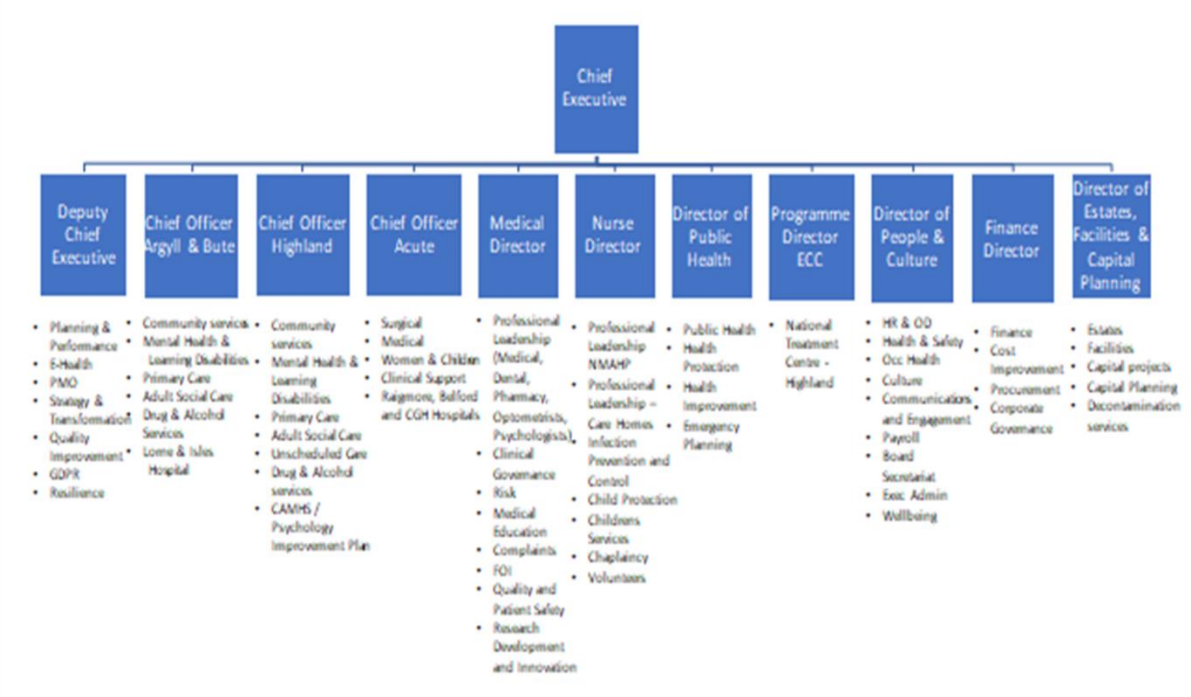
1.3 Structure and Governance Arrangements

NHS Highland is managed by a Board of 22 members, made up of 17 Non-Executives and five Executive Directors who are accountable to the Scottish Government through the Cabinet Secretary for NHS Recovery, Health and Social Care. Executive Directors who are also board members are the Chief Executive, Board Medical Director, Director of Finance, Board Nurse Director, and Director of Public Health.

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

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

The organisational structure promotes cross-service working and allows for an overview of services across the whole of the NHS Highland area, to better manage the impacts of changes across the system.



1.4 Priorities, Approach and Objectives for 2022/23

Principal Risks to Delivery of Our Strategy and Annual Delivery Plan

The Highland Board has identified and manages the principal risks to the delivery of its strategy and objectives through its risk register process. Further in the document the section on risk management describes our governance arrangements relating to this.

The principal risks to the delivery of its strategy and objectives identified by the Board during 2022/23 were that:

- It would have insufficient capacity to respond to emergency demand, reduce waiting lists for planned activity and provide diagnostics results in avoidable harm to patients
- It would not be able to provide service users with a safe, high-quality experience of care and positive patient outcomes due to this
- It would not effectively plan for and implement infection prevention and control measures that reduce the number of hospital-acquired infections and limit the number of nosocomial outbreaks of infection
- It would not be able to increase the Highland workforce to meet current and planned service requirements through recruitment to vacancies and maintaining annual staff turnover below 10% and develop a longer-term workforce plan
- It would not develop a diverse, compassionate and inclusive workforce, providing a more positive staff experience for all staff linked to our culture programme.
- It would create inequalities due to the cost-of-living crisis with the increased cost of care associated with delivery across our remote and rural region.
- It would not create a sustainable and innovative education and development response to meet the current and future workforce needs
- It would not implement effective models to deliver integrated and networked care, resulting in suboptimal patient experience and outcomes, increased numbers of admissions and increases in patients' length of stay.
- It would be unable to deliver a financial breakeven position and support prioritised investment as identified in the capital plan within available resources.
- It would not be able to invest despite increasing demand and all services will be required to deliver more with less and thus work in new and adaptive ways.
- It would not adequately maintain, improve and develop our estate to deliver our clinical services and increase capacity.

- It would fail to introduce and implement new technology and expand the use of existing technology to transform our delivery of care through the funding and delivery of the digital strategy including cyber attacks

Strategy - Together We Care, With you, for you

Our strategy Together We Care was launched in September 2022. It is our first Board wide strategy, and clearly communicates the strategic vision, mission, and objectives we need to achieve over the next five years and mitigate the risks detailed above through collaboration.

To create this strategy, we engaged with our communities, population, colleagues, partners, and third sector organisations to find out what was most important to them and what they thought we should prioritise for health and care delivery. We ensured that we engaged with all age groups and all localities across our remote and rural geography. We worked with partners to ensure that those seldom heard communities and those with protected characteristics had an opportunity to be heard. We received over 1700 group and individual responses through a range of media (e.g., surveys, virtual and face to face sessions, email, post, social media, etc).

The responses we heard covered all areas of health and care, from preconception to end of life. For this reason, we have taken a cradle to grave approach within our strategy.

In addition to the health and care services we provide, people cited other things that they felt were important factors to NHS Highland. These elements are the things that underpin our delivery of health and care, and that we need to progress to ensure a sustainable future. These were things such as the reduction of health inequalities, sustainable finance, realistic medicine, digital developments and working to reduce our impact on the environment.

Whilst our strategy unites our focus and direction, our progress towards achieving its aim is set out and monitored in our Annual Delivery Plans. These work on the principle of firstly understanding our basics, then building to be the best we can be. Our Senior Leadership Team and Programme Boards are responsible for monitoring the progress and completion of these delivery plans and we have aligned these to our cradle to grave approach and strategy, ensuring that there is no area of health and care left uncovered.

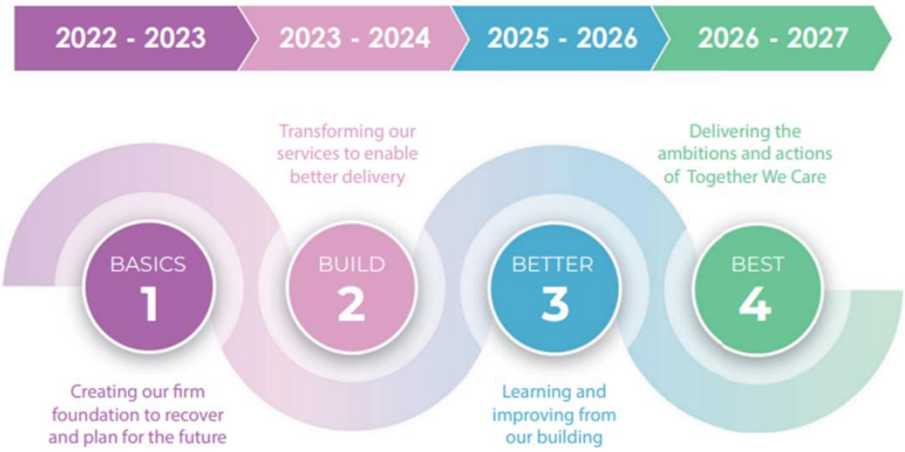
Performance Management

NHS Highland has produced a Performance Management Framework. This aims to ensure that NHS Highland successfully delivers national standards for performance and agreed targets encompassing all areas of our strategy “Together We Care, with you, for you” in line with our Annual Delivery Plan. The framework adopts an integrated approach to both performance and quality management. It ensures that there are clear lines of responsibility and accountability at all levels, from the Board through to service delivery. To support transformation, we have programme boards that are responsible for key areas linked to our strategy and these will evolve and adapt to address our key challenges but also to drive the change required. Our Senior Leadership teams are also pivotal in this space to ensure day to day accountability for operational services across our system.

It is recognised that there is a need to develop the performance culture of NHS Highland through an increased use of intelligence, including outcome measures providing wider insight beyond headline metrics. All actions and interventions relating to adverse performance will focus on ensuring that the patient is at the centre and that all actions we take measure success for our population, are delivery-focussed, and proportionate to the level of risk identified.

Annual Delivery Plan

Whilst our strategy sets out where we want to get to by 2027, our Annual Delivery Plans communicate how we will achieve these objectives and how we will measure success. Whilst delivering the strategy is a five-year programme of work, the associated delivery plans work on a yearly basis. These aim to develop and build from the previous year's activity and learning, with delivery being managed in stages with our population, partners and people. We will embed mechanisms to review progress, be intelligence led and identify risks to ensure we keep on track and work in a cohesive, inclusive and informed way.



These plans are fully cognisant of the role and responsibilities of the lead agency Integration Authority (IA)in North Highland and the Integration Joint Board (IJB) in Argyll & Bute; we will focus on the areas where we need to develop fully integrated approaches.

At board level we have redesigned our Integrated Performance and Quality Report (IPQR). This report gives the board an overview of performance and quality across NHS Highland bi-monthly. It is compiled from data considered at our governance committees along with comments, risks and mitigations from our executive leads.

Workforce Plan

NHS Highland, in line with a request from Scottish Government developed a 3 Year Workforce Plan in this period. It drew together the key actions to assist NHS Highland in ensuring we have the right people with the right skills in place, at the right time, to deliver our future services. It aligned to the 2022 – 2027 NHS Highland Together We Care Strategy, as well as the associated 2022-2023 Annual Delivery Plan Alongside this the Workforce team examined the available data sets alongside interviews with expert stakeholders to consider recent workforce trends and how these aligned with broader policy and strategic ambitions.

This workforce plan reflects the published National Workforce Strategy for Health and Social Care and contributed to the implementation of many of the actions included in that strategy.

Like all Boards across Scotland, NHS Highland continues to face unprecedented workforce shortages, which are exacerbated by the complex geography of the region, competition for scarce resources from other sectors and more recently, significant challenges with affordable and available housing in all parts of the Board. Whilst we are trying locally to address this issue in partnership with other agencies, it does require national intervention, and has been escalated to Scottish Government for further support on longer term provision.

Case study: Aim High Aim Highland

Focusing initially on the recruitment needed to open the National Treatment Centre Highland (NTC-H), the Aim High Aim Highland campaign targeted specialist roles, with a focus on promoting the quality of life in the Highlands and the chance to work in a brand-new facility. The campaign included advertising along key commuter routes in the central belt and London, public relations to place stories in specialist media, and social media, supported by video. We were keen to feature real colleagues throughout and found a few stars in the making!

The initial phase of Aim High Aim Highland saw us reach our recruitment targets for the NTC-H, increasing applications overall and applications per post. It was particularly successful for more senior roles, where we saw a significant increase in appointable candidates.

Aim High Aim Highland has now been extended as an ongoing PR and social media campaign to cover a range of hard-to-fill roles, targeting more local audiences – for example with bespoke vehicle livery on our vans, an innovative way to reach rural communities with few outdoor advertising channels.

Action plans have been developed that mirror the 5 Pillars of the National Workforce Strategy and aim to define clear priorities to ensure we have the Workforce to deliver our services. These contain clear improvement that will support our continued investment in our workforce across our system and progress is being reported to the Staff Governance Committee and the Board on a regular basis. The plan will be refreshed on an annual basis as actions are fulfilled and new actions are developed.

Effective workforce planning across the partnership is vital to mitigate this and many other significant risks and this workforce plan builds on all of the existing work giving us a clear direction for the next 3 years.

Overall Performance

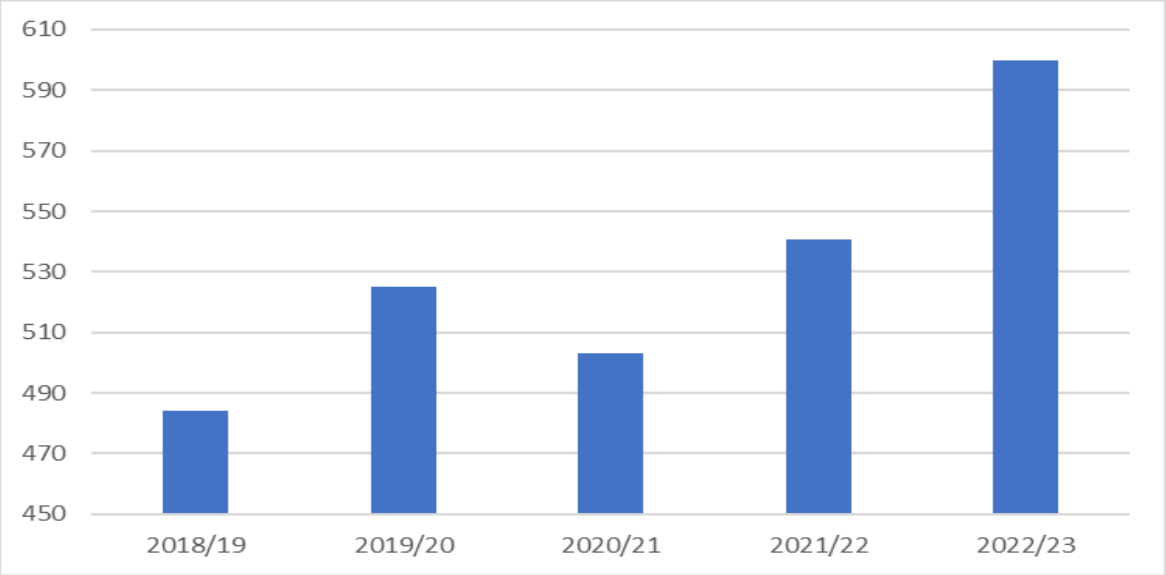
Our teams across NHS Highland, Argyll and Bute have continued to deliver despite the challenges described. The graphic describes the high-level key metrics across our system we have delivered on.

Acute Care

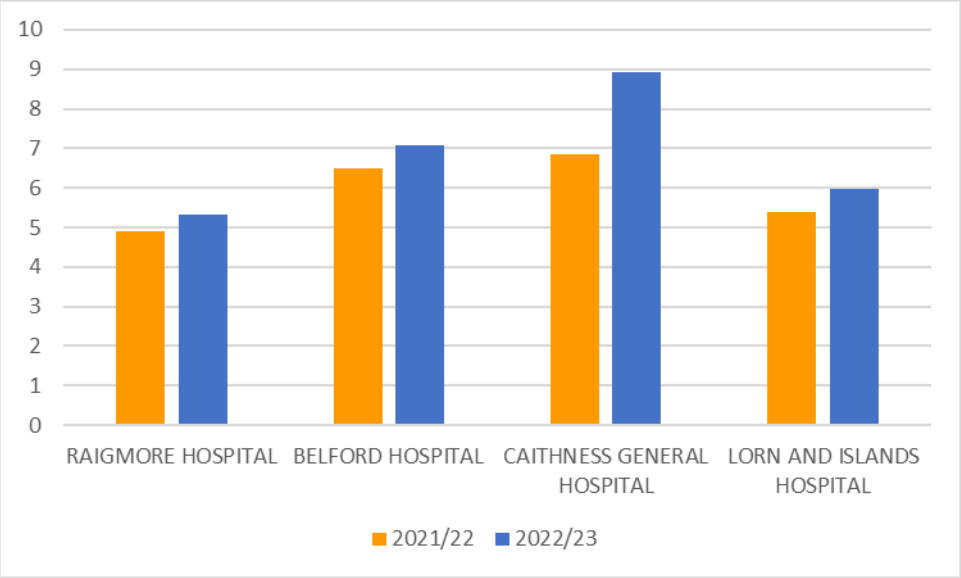
2022/23 has seen a continuation of the trend of increasing admissions and elective referrals, following a major reduction which occurred at the start of the COVID-19 pandemic.

The average number of available hospital beds in Scotland has generally been decreasing over the years. We are aware that during 2022/23 additional beds have been opened due to increasing demand which has placed strain on acute resources but also accommodating a significant number of delayed discharges. This has contributed to a challenging financial position.

The following graph illustrates the acute beds trend increasing since 2020/21



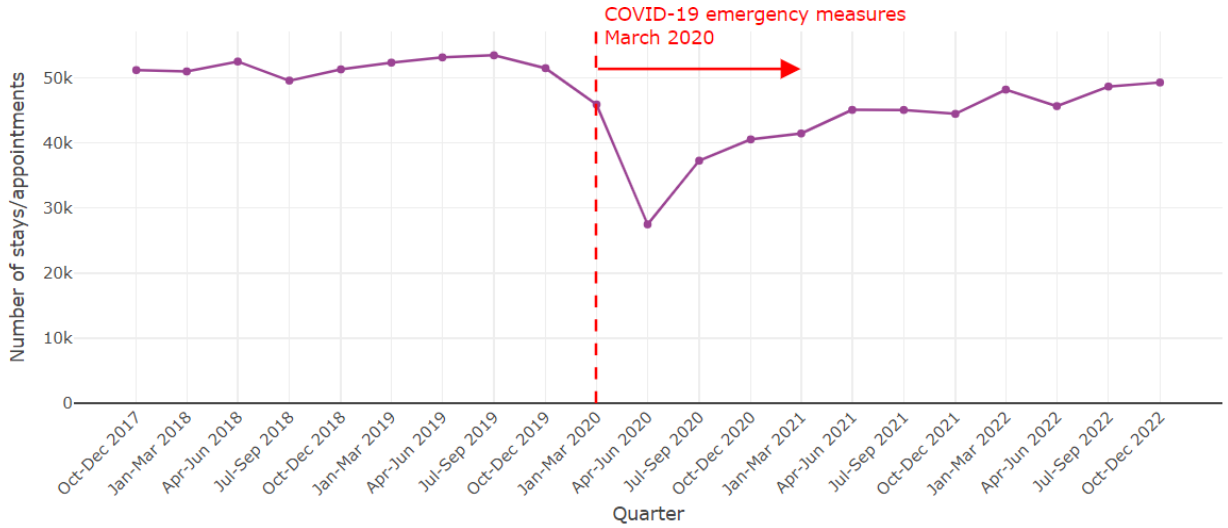
Additionally, the following graph illustrate the Length of Stay in acute hospitals rising on all sites in 2022/23 compared to 2021/22.



Referrals to Acute

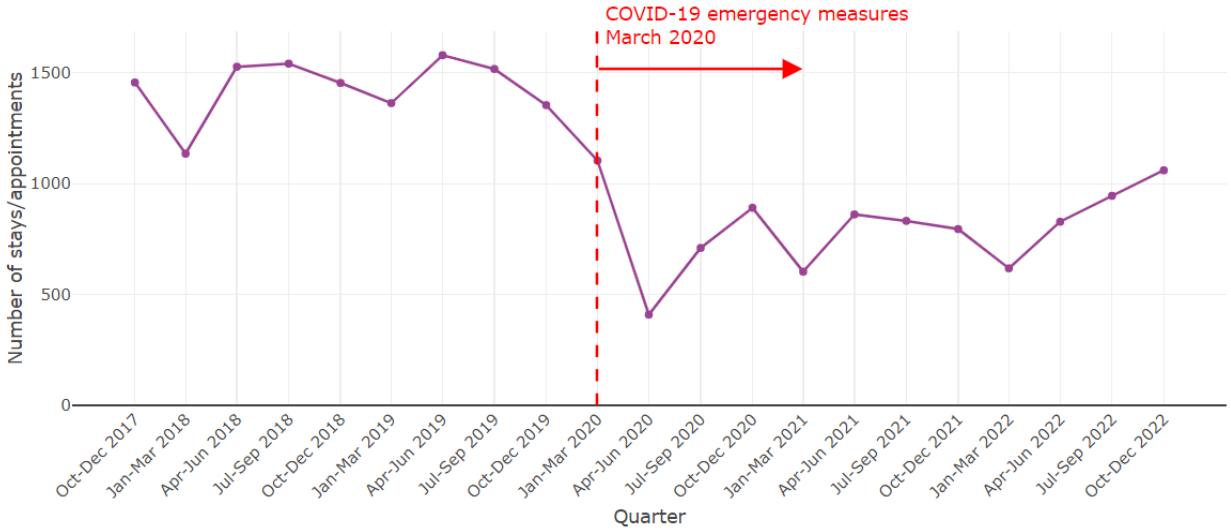
Referral rates to our services are now typically at, or above, the levels seen before the pandemic. Feedback from clinicians is that they are also seeing more patients with advanced disease than they would normally, because of delays in referral to the service/diagnosis.

The number of hospital appointments increased significantly during 2022/23 and exceeded activity levels in both pandemic years.



Source: Public Health Scotland Activity Levels published 30 May 2023

The number of elective and day case admissions increased significantly compared to 2020/21 (the first year of the pandemic) yet remained below the levels achieved between April 2019 and February 2020 (prior to COVID-19) as described below.



Source: Public Health Scotland Activity Levels published 30 May 2023

There were a wide range of factors influencing these activity levels, and the lower levels of admitted activity specifically, including:

- the availability of beds for the admission of elective patients after emergency patients and other conditions had been accommodated.
- the availability of beds due to increased pressure from delayed discharges and awaiting transfer to another location within our sites
- additional infection prevention measures which were maintained, particularly within inpatient treatment settings where risks of COVID-19 transmission are otherwise increased.

Most of the activity has been achieved primarily within NHS Highland hospitals but the independent sector and Golden Jubilee have been used to support the delivery in some instances..

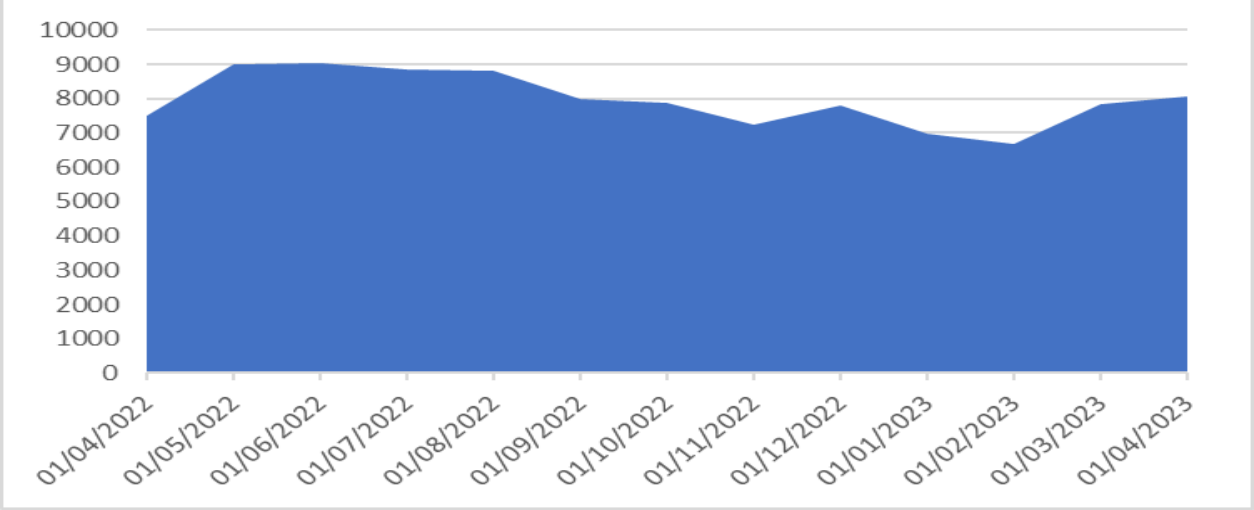
Urgent and Unscheduled Care

4-Hour Emergency Access Target

The national target for Emergency Department (ED) performance is 95% of our population will wait no longer than 4 hrs. from arrival to admission, discharge or transfer for ED treatment.

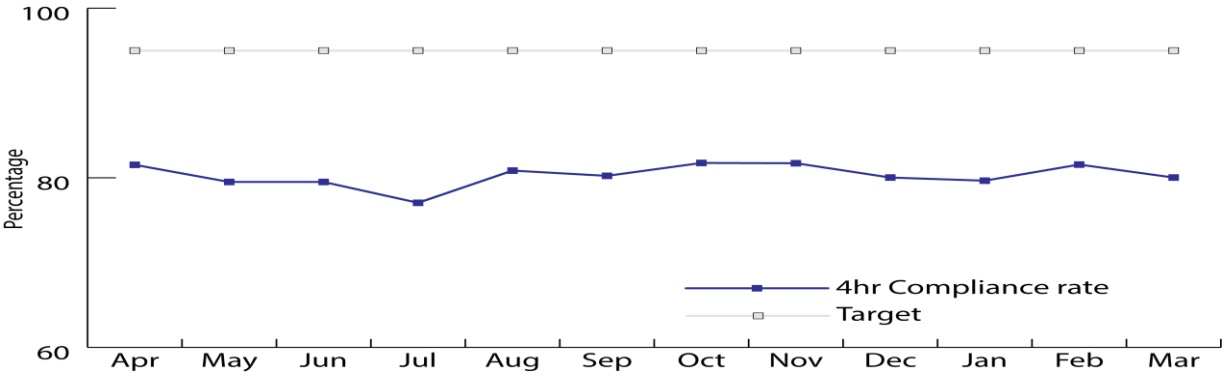
NHS Highland performance is 80.0%.

Demand for ED services has remained consistently high during 2022/23. In total there were 96,198 ED attendances during 2022/23 compared to 90,301 in 2021/22.



Source: Public Health Scotland ED attendance rates

The 4-hour Emergency Access Standard remains the key indicator and measure of whole system safety. NHS Highland's performance is 80%, with the Scottish average being 64.11%. NHS Highland performed well in the national picture, however achieving the target remains a challenge. Demand for ED has remained consistently high this year as demonstrated below. The main reasons for not meeting this target was access to beds.



NHS Highland is a part of the Urgent and Unscheduled Care Collaborative and as part of the Collaborative, we are implementing high impact productive opportunities based on our population and organisational needs identified using a self-assessment methodology and adopting an improvement framework aiming to avoid unnecessary attendances in an acute setting, reduce emergency admissions, keeping care closer to home, reducing length of stay in

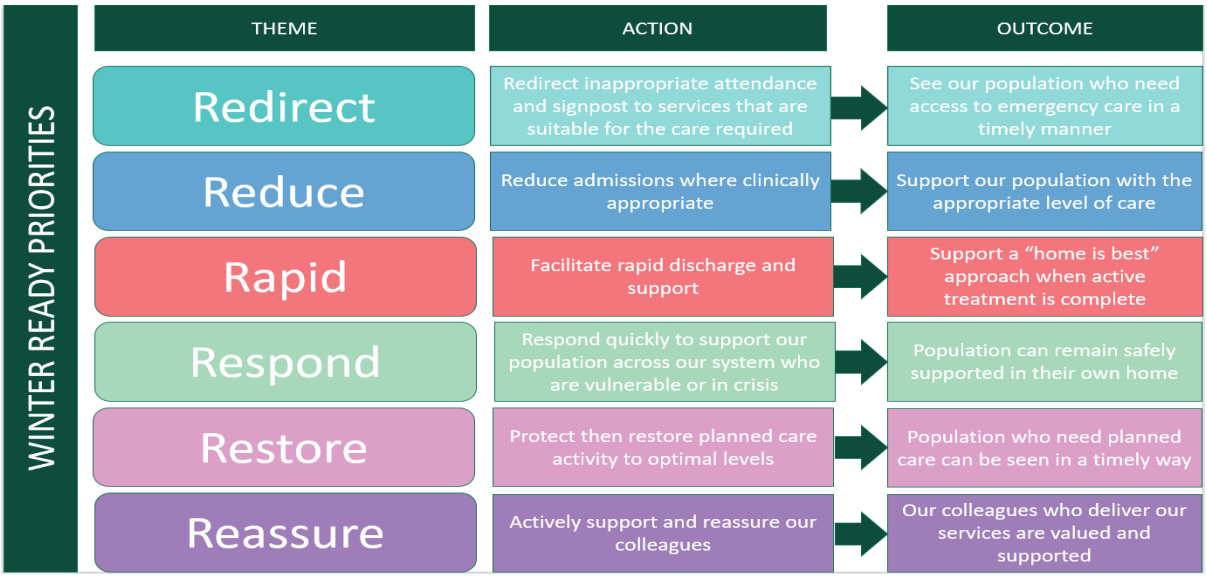
any care setting and avoiding delayed transfers of care as well as a wider measurement framework supporting collaborative working.

This programme of work touches services from the front door of the four Emergency Departments through Acute services, Community and Adult Social Care and includes partner agencies such as Scottish Ambulance Service.

In response to winter pressures, NHS Scotland has been expanding capacity across a series of clinical pathways to make care come to the patient. At NHS Highland we received funding and are piloting this new model in Caithness and Skye for those who still require hospital care at home as an alternate to NHS bedded care and diverting pressure from acute sites.

Additionally, we have also focussed on early supported discharge by developing support and treatment pathways at home.

We established a "Winter Ready" task and finished group in September to bring together colleagues, third sector and partners as a whole system approach to developing our "Winter Ready Action Plan" (WRAP). Six key priorities were identified to support the system with key actions and outcomes. This allowed us to work collaboratively, system wide to develop a mutual understanding of the required outcomes for our population through an integrated approach.



This chart shows our priorities in Winter Readiness

For each of the six key themes a set of mission critical actions (54 in total) supported by key performance indicators were developed. Twice weekly tactical meetings were held to ensure accountability and responsibility.

Alongside this, Operational Pressures Escalation Levels (OPEL) was implemented within Raigmore to give a numerical view of the system at each huddle to allow us to respond effectively with defined actions to help support de-escalation of the pressures at critical times. This is currently being extended across our whole system to the health and social care partnership.

Our workforce responded extremely well to the process of implementing our plan and OPEL and ED performance has been maintained throughout the winter period.

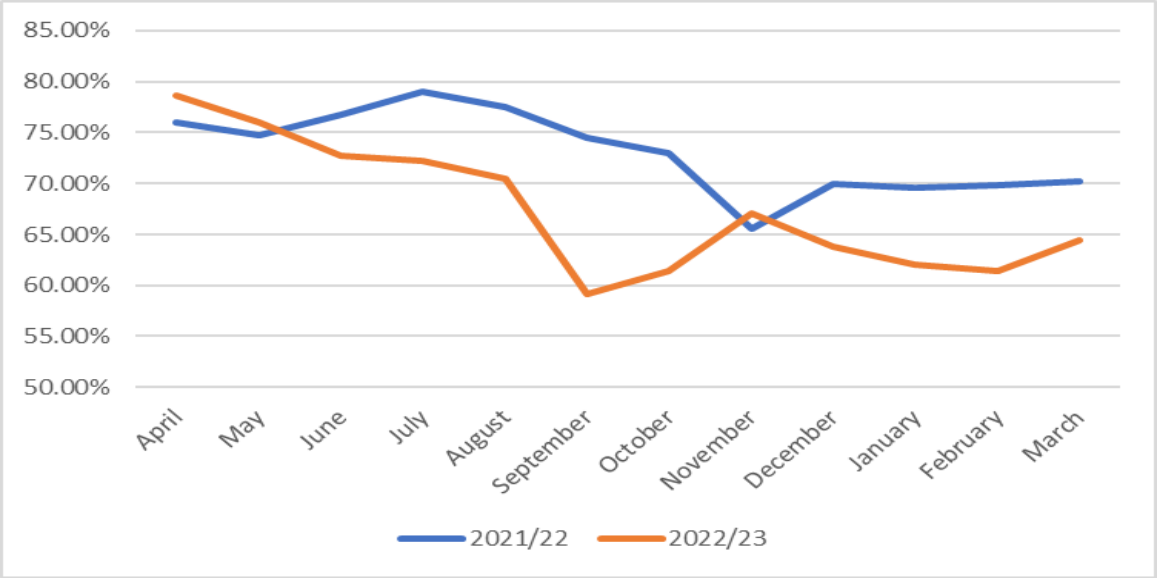
Outpatients

The national target for outpatients (OP) is that no patient will wait >12 weeks from referral to appointment.

The NHS Highland performance standard is 63% compliance.

2022/23 has seen a continuation of the trend of increasing outpatient referrals, following a major reduction which occurred at the start of the COVID-19 pandemic. Referral rates to our services are now typically at, or above, the levels seen before the pandemic. Feedback from clinicians is that they are also seeing more patients with advanced disease than they would normally, because of delays in referral to the service/diagnosis.

The following graph illustrates the 12 week compliance comparison 2021/22 versus 2022/33



Source Specialty Dashboards NHS Highland Mar 2023

While the figure is lower currently than at this time the year before, NHS Highland has made significant improvements in longer waiting times and have reduced the number of patients waiting over 52 weeks from a peak of 2,409 in July 2022 to 1,756 at the end of March 2023.

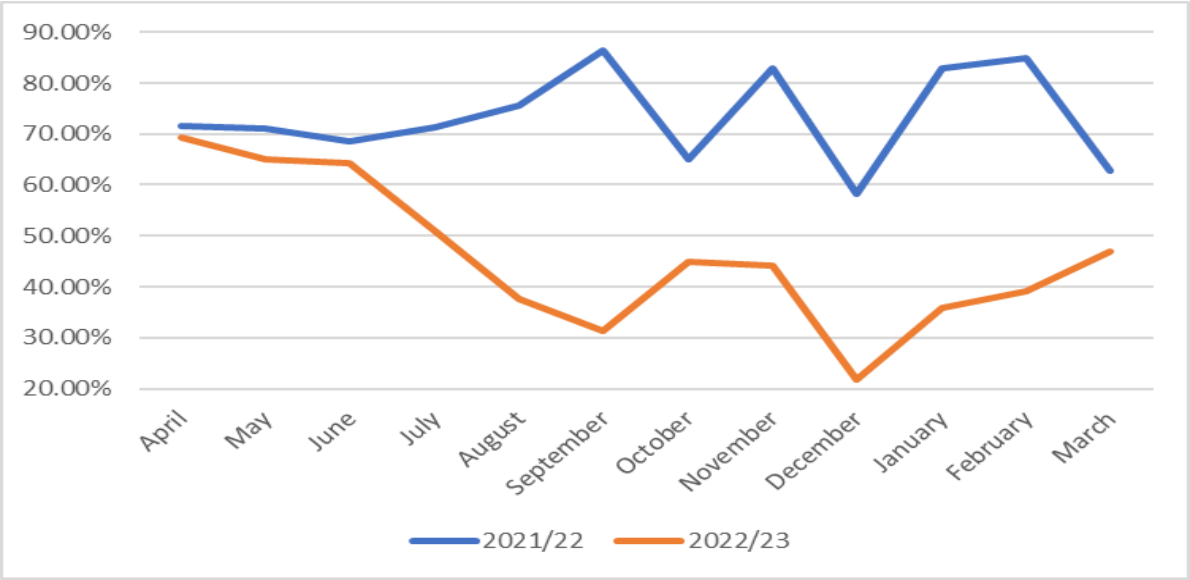
NHS Highland has achieved this reduction by a combination of different initiatives including significant modernisation of delivery taking a lead from the Centre for Sustainable Delivery (CfSD) initiatives. We have also developed a waiting list validation methodology and increased capacity internally and through the independent sector.

Elective Surgery

The national target for Treatment Time Guarantee (TTG) is that no patient will wait >12 weeks from decision to treat to treatment.

NHS Highland performance standard is 56.1% compliance.

The following graph illustrates the compliance comparison 2021/22 versus 2022/23



The fact that some patients wait significantly longer than the 12-week target is a particular concern. Significant focus has gone into ensuring the numbers of long-waiting patients are reducing and NHS Highland is now performing at 56.1%, above the Scottish average of 55.5% although we still have considerable work to do.

The number of patients waiting longer than 104 weeks for elective surgery reduced from a peak of 1,116 in March 2022, to 538 by the end of March 2023

Improvements have been achieved through robotic assisted surgery, with a total to date of 234 cases carried out using the robot. Day case surgery is being increased and we have delivered same day arthroplasty surgery and ERCP on a day case basis.

The greatest challenge for elective care in the year has been bed pressures due to significant winter and emergency pressures including a high number of non-acute patients.

The patients who typically wait longest for treatment continue to be those who require admission for surgical procedures in specialties such as ear nose and throat, orthopaedics and gynaecology.

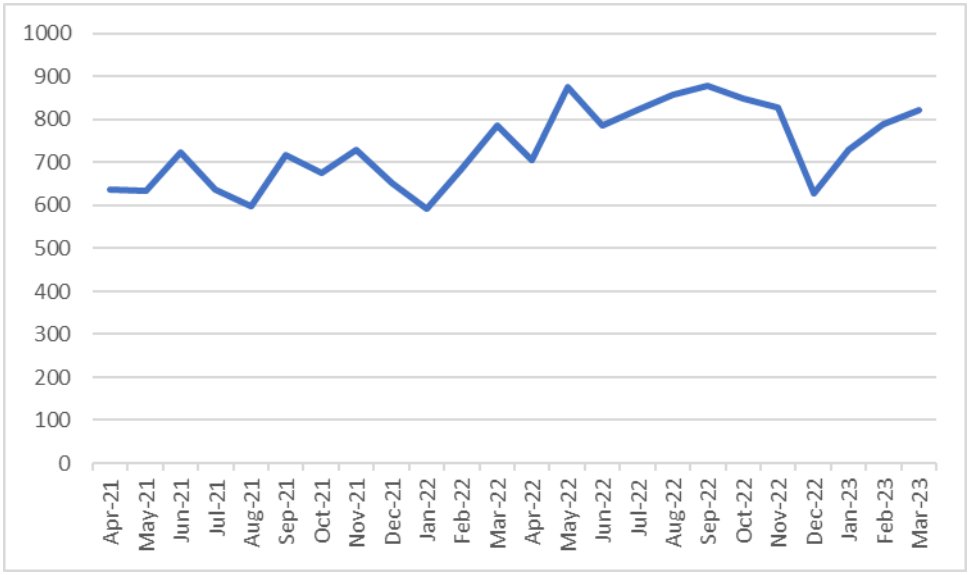
Cancer

The national targets for cancer are a) 95% of all patients diagnosed with cancer to begin treatment within 31 days b) 95% of Urgent Suspected Cancer (USC) referrals to begin treatment within 62 days.

NHS Highland performance is 94.4% for 31 days and 70.1% for 62 days.

USC Referrals have continued to increase steadily from March 2022 onwards which has put additional pressure on all cancer services including diagnostics.

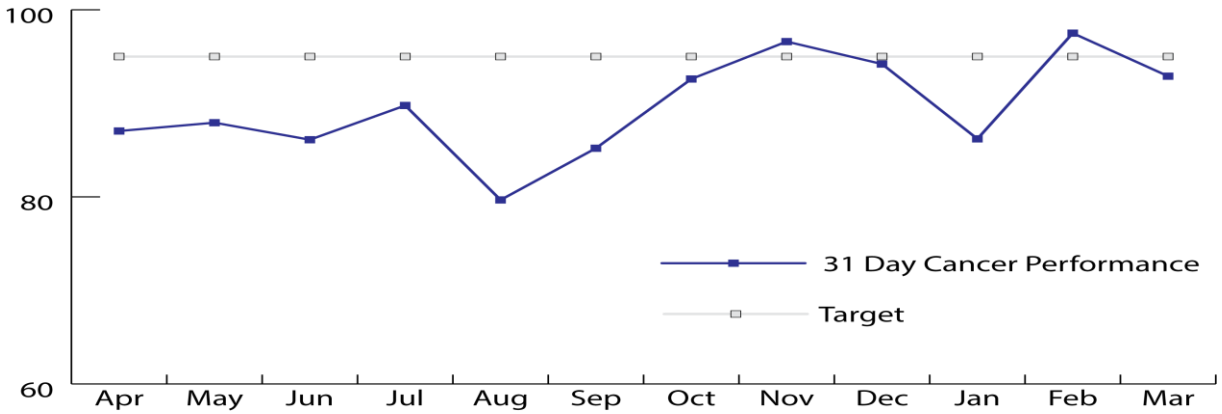
Table below displays the increasing trend in cancer referrals:

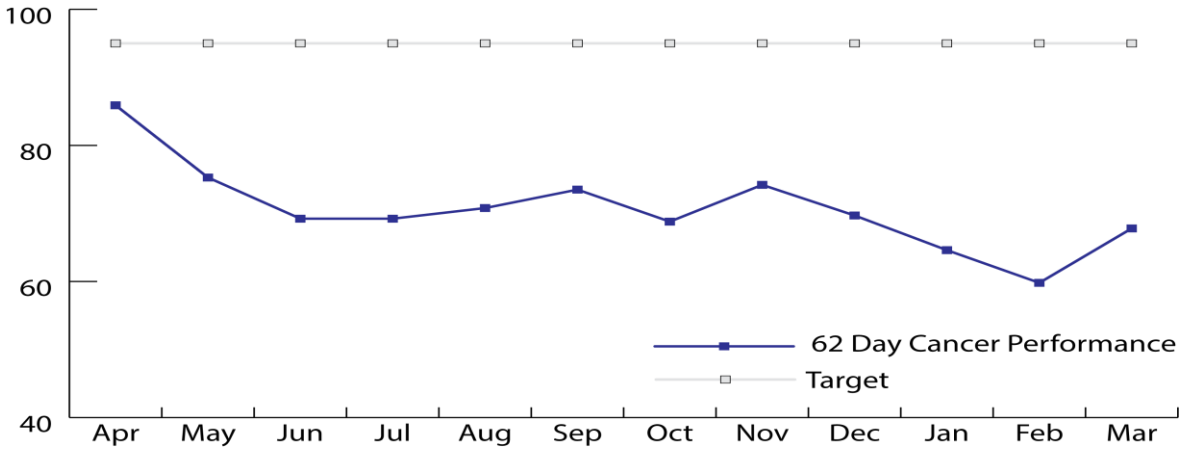


NHS Highland performance was 94.4% for the 31-day performance target, with the Scottish average being 94.5%. For the 62-day target, NHS Highland performance was 70.1%, with the Scottish average being 72.1% in March 2023.

We have faced a range of challenges including:

- a large increase in the number of new patients referred for investigation
- delays in the onward referral of patients who need specialist investigation or treatment elsewhere
- the need to provide capacity to investigate and treat the full range of other conditions, alongside those patients with suspected cancer
- an increase in the complexity of treatment required by new and existing patients, potentially because of delays in referral or treatment during the first year of the pandemic





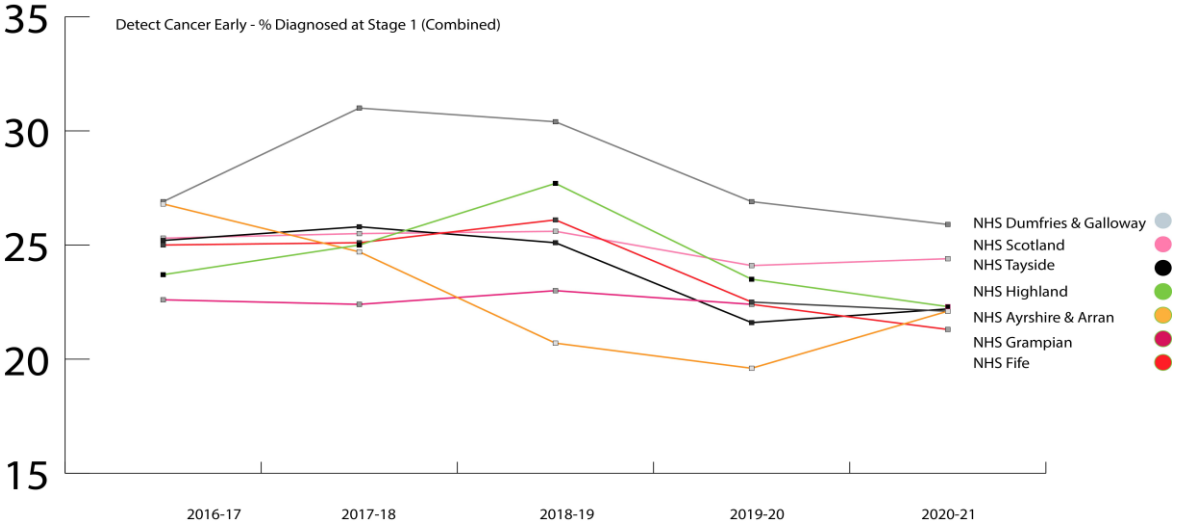
A range of initiatives are being pursued to maintain and improve the timeliness of our cancer services including:

- changes to some of the processes for the referral and initial assessment of patients with suspected cancer, for example the inclusion of high-quality photographs within referrals for suspected skin cancer.
- projects to refine processes and procedures for the investigation of suspected gynaecological, colorectal, and urological cancers
- an operating services improvement programme designed to improve the flow of patients, and the numbers of patients treated from daily tracking through our new PP+ system
- timely reporting of diagnostics through greater collaboration internally and externally
- staffing level increases and recruitment to clinical roles in specialties where the increases in demand require this such as SACT

Detect Cancer Early

Detect Cancer Early (DCE) The DCE programme's main purpose is to raise the public's awareness of the national cancer screening programmes and also the early signs and symptoms of cancer to encourage them to seek help earlier. The aim is to improve cancer survival by diagnosing and treating the disease at an earlier stage. The programme initial focus is on three cancers, lung, colorectal and breast cancer, with an aim to increase the proportion of people diagnosed and treated in the first stage of breast, colorectal and lung cancer by 25 percent.

NHS Highland has successfully delivered improvement in the proportion of patients diagnosed at stage 1 in lung which is positive, but improvements are required within breast and colorectal as performance overall has decreased. As demonstrated in the chart below, this is an area where improvement is required.



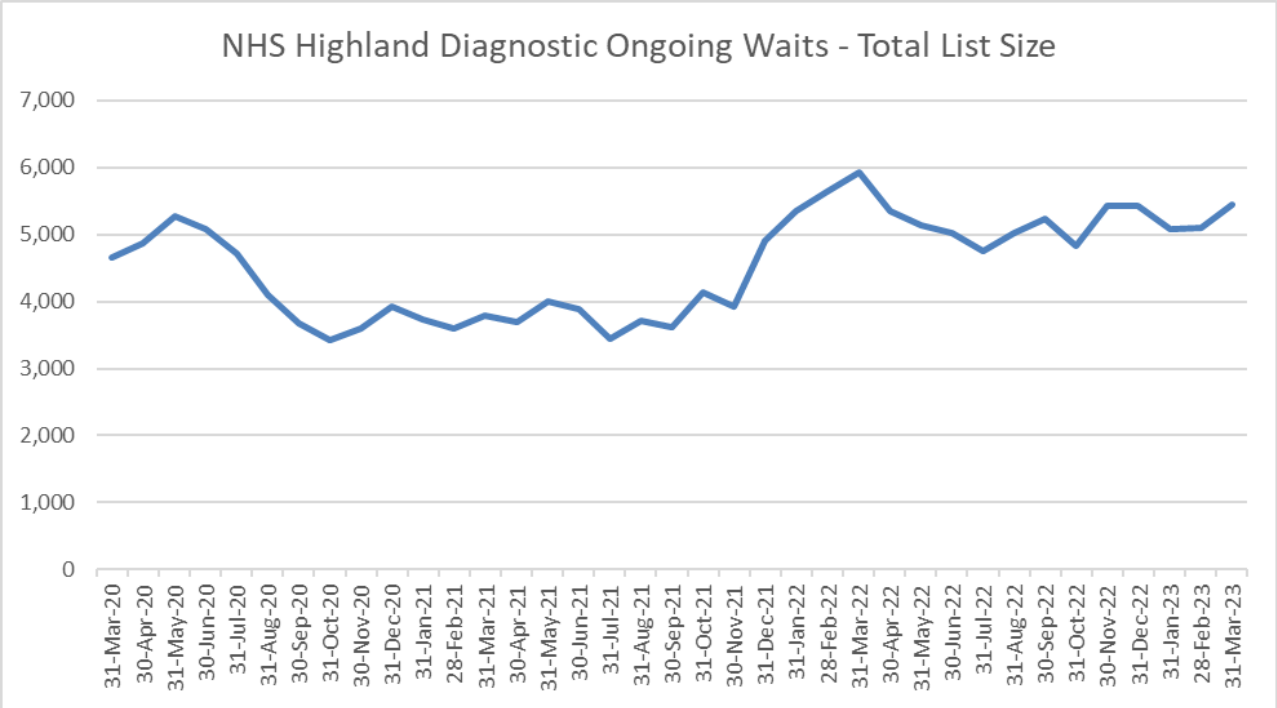
Diagnostics

Our performance measures for diagnostics report on a total 8 key diagnostic tests. At the end of March 2022, 68.7% of patients were waiting more than six weeks to receive their investigation. This is a small improvement compared to 67.3% of patients waiting more than six weeks at the end of March 2022, yet still worse than the national.

At the end of March 2023, the total waiting list size (including patients waiting less than six weeks) had decreased by 8.1% compared to March 2022 and was 17.1% larger than before the pandemic.

These trends reflect a combination of large reductions in diagnostic activity in the first year of the pandemic, followed by record levels of diagnostic tests being performed during 2021/22 combined with very high levels of referrals for diagnostic testing in in-patient services which is not captured within the targets.

The tests with largest numbers of longer waiting patients are MRI and Cystoscopy. Initiatives to improve performance include the recruitment of additional staff in the relevant professions and investment in additional equipment, in the context of forecasts that diagnostic demand will continue to increase over the longer term.



Highland Health and Social Care Partnership

Overall, we have been working collaboratively across primary, community care, Highland Council and our partners to be resilient and sustainable to deliver the ambition of providing a range of local services, ensuring we work together across all parts of health and care. The goal is to deliver effective and efficient person-centred care.

During this period linked to our strategy a high-level transformation plan has been developed and a descriptor for integrated services being developed to completely integrate community services recognising that we have problems with resources. Work also commenced on developed the joint strategic plan with Highland Council which will come to fruition in the next financial period.

To ensure that integrated teams are working together effectively, KPI and dashboard development is under underway. The objective is to improve the patient experience by getting the patient seen at the proper time and location by the appropriate party.

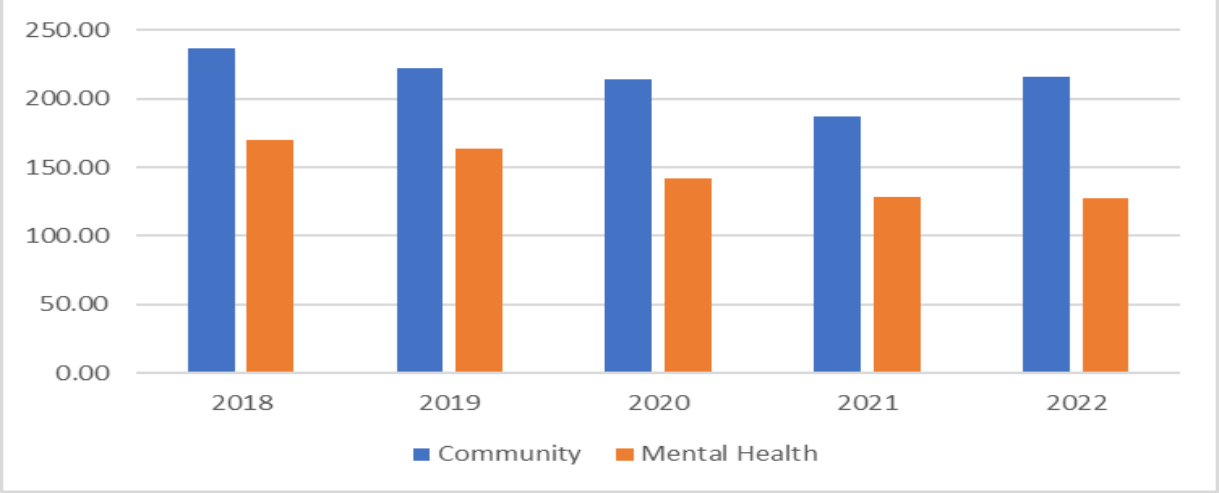
By resolving recruitment concerns and improving ongoing recruitment processes, we are concentrating on developing the necessary workforce capacity to meet resource issues.

Community Hospitals and In-Patient Mental Health

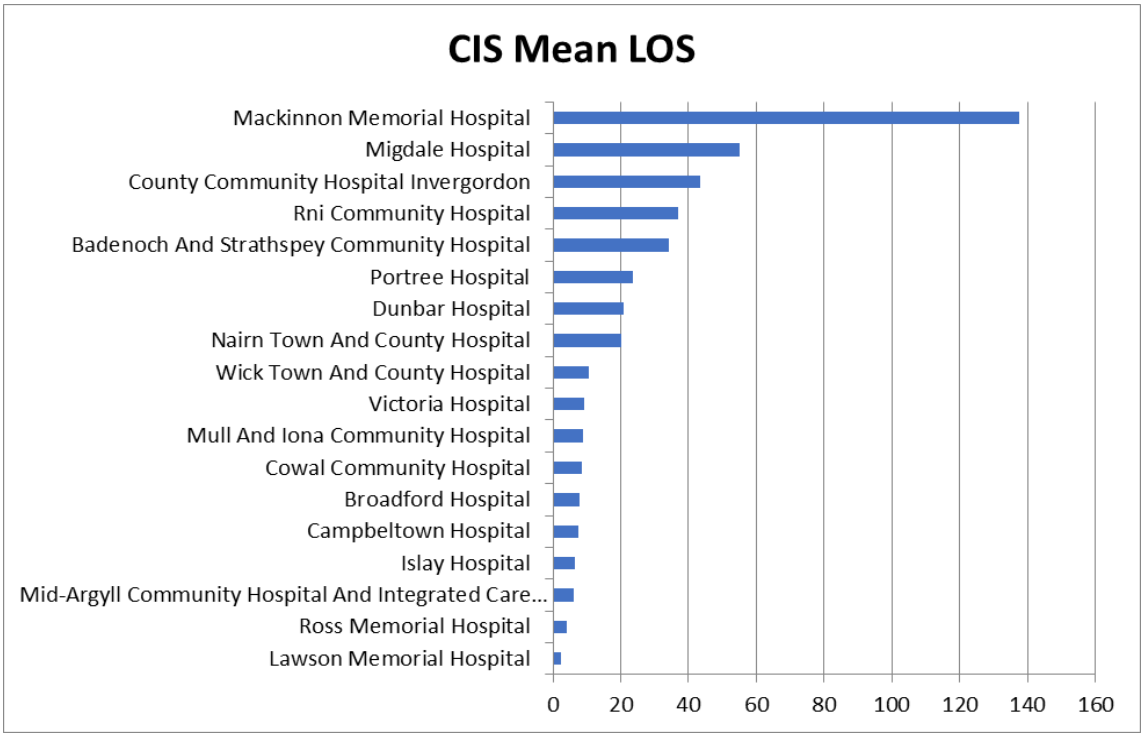
Community hospitals offer a range of services across localities whilst our in-patient mental health hospital, New Craigs, offer specialist care. They are both a vital part of supporting our population with recovery.

There is variation across our system in terms of length of stay and work has been commenced in understanding our community hospitals and mental health hospital. Linked sustainability and transformation plans will help us in moving forward and will be place-based, multi-year plans built around the needs of local populations as part of our wider strategic plan. They will also help build and strengthen local relationships, enabling a shared understanding of where we are now, our ambition moving forward, and the concrete steps needed to get us there.

The following graphs illustrate the community beds trend since 2018 and the Continuous Inpatient Length of Stay for community hospital inpatients.



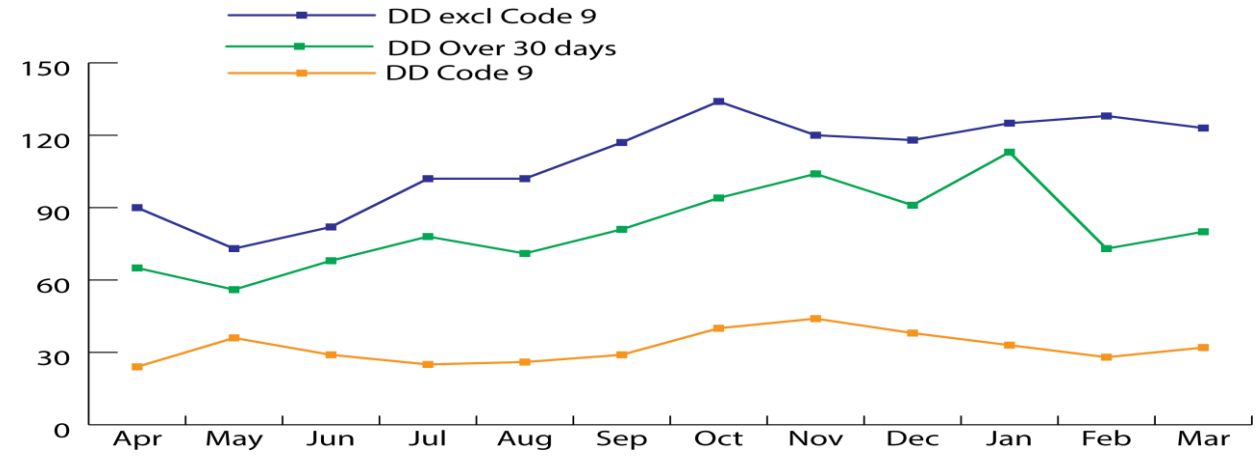
Source: Public Health Scotland Staffed Community Beds



Source: Discovery Dashboard Community Hospital Length of Stay

Delayed Discharges

There is no national target for delayed discharges but we aim to ensure we get our population care for in the right place at the right time.



Discharge delays remain a major issue for hospitals in the NHS Highland area with on average 62 people monthly clinically ready for discharge from inpatient hospital care continuing to occupy a hospital bed beyond the date they are ready for discharge.

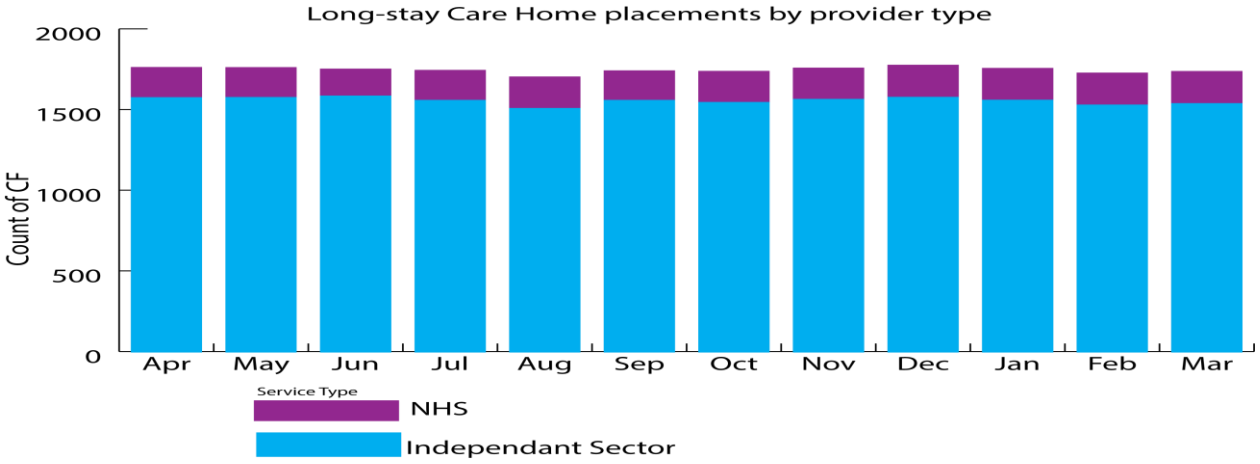
Whilst the number of Delayed Discharges (DDs) has reduced since the previous reporting period, the overall position remains variable.

An important factor that impact on DDs are capacity within the adult social care sector. Highland is experiencing a reducing number of care home beds (loss of a total of 104 beds within the past year), and ongoing staffing challenges in care homes and care at home services. In the graph above, Code 9 relates to complex reasons for delay, indicating that if a care placement were available, the person would not be able to be moved into it.

This is a priority area of service development, and a Discharge without Delay Delivery Group has progressed a model for discharge based on a whole system approach.

Adult Social Care

Care Homes



As of 31 March 2023, there are a total of 65 care homes in the Highland Council area, 49 of which are operated by independent sector care home providers (1676 beds) and 16 of which are in house care homes operated by NHS Highland (242 beds). There has been significant independent sector care home fragility over 2022-2023. Since March 2022, there has been 4 independent sector care home closures, with a further closure, announced in March 2023, which

is currently concluding. This will result in a total of 5 care home closures having occurred over a 14 month period, and a loss of 141 care home beds. Also over this period, the Partnership acquired (purchase by the Council / operation by NHSH) a care home in administration, in order to prevent the closure of this facility and loss of this provision. Key concern areas relate to a higher proportion of smaller size of operator and scale of provision within the Highland Council Area related to geography and rurality.

The Highland Health and Social Care Partnership (HHSCP) has been developing a locality model as a preferred and intended direction of travel for the provision of health and social care services, the key objectives of which are safe, sustainable and affordable locality provision. This is strategic work in progress which will be set out within the Partnership's Strategic Plan.

However, there has been and continue to be, immediate and operational challenges arising from care home closures which require to be addressed as there is insufficient capacity within the health and social care system to cope with the potential scale of lost provision. Mitigating actions are therefore required to avoid whole system destabilisation, whilst ideally at the same time moving toward the locality model which is in development.

Care at Home Services

There are 20 independent sector care at home providers, who collectively deliver 9,000 hours of care at home provision per week. NHS Highland also operates a care at home service, delivering 4,600 hours per week. There are also 308 service users receiving a care at home service through a direct payment.

The key objectives around this area of provision are to achieve stable, resilient, and assured provision and capacity release / growth.

Since August 2021, NHS Highland has been working closely with care at home partners through regular and structured dialogue in order to better understand the current issues and to work together to identify and implement sustainable solutions to address the key issues.

Over the course of 2022-2023, there has however been a significant reduction of available commissioned services of 1300 hours per week from 8806 hours per week on 31st March 2022 to 7409 hours per week on 31st March 2023, despite the measures put in place by NHS Highland to seek to stabilise provision and ensure capacity release and growth – these being advance payments, and continued adapted UK Home Care Association-aligned tariff.

Current unmet need for care at home is circa 2,500 hours per week and there are currently 338 people assessed and awaiting a care at home service who are in hospital or in the community.

Most recently there has been a slight improvement in the delivery picture but these challenges are ongoing and through open dialogue with providers we continue to seek long-term sustainability.

Primary Care

Work has continued during this financial year on the Implementation of Primary Care Improvement Plan with the Memorandum of Understanding 2 (MoU2) priorities agreed nationally.

In March 2023 we delivered against a plan for transfer of other vaccinations to a board service.

We have a goal of defining the future delivery of all aspects of health and care in appropriate settings, an organization-wide review of our primary care estate along with future requirements has been commenced and this will conclude in the next financial year.

We have a Service Level Agreement in place with community pharmacists for travel vaccination. Our Community Treatment and Assessment Clinic (CTAC) service model is in the development

phase ensuring IT support is in place for Order Comms. The programme to extend Pharmacy First Plus (part of a national programme) is still underway.

Dental services have been disproportionately impacted by the pandemic and the impact has extended, NHS Dental Services are now operating under "normal" conditions for seeing patients but recovery of services has been slow, impacted by workforce challenges and uncertainty regarding NHS Dental Practice sustainability.

The current national priority is to stabilise NHS Dental Services and introduce Sector reform focused initially on payment reform (planned to be implemented from November 1st 2023), including wider communication on available NHS Dental Services. There have been three recent Dental Practice closures (Kyle of Lochalsh, Ullapool and Lochcarron) and ongoing de-registration of NHS patients, for some Practices this was a planned business change. NHS Highland have been informed that all adult patients will be deregistered from Dental Practices in Dingwall, Inverness and Dunoon. Some Practices are currently prioritising emergency dental patient care and have limited access for routine care for their registered patients, due to failure the retain and recruit dental staff, also some Dental Practices continue to deliver less than 50% of their pre-covid activity.

The NHS Highland Public Dental Service (PDS) provides dental services for priority groups/specialist services and access to Emergency Dental Services (EDS), for unregistered dental patients. There is growing pressure on the PDS to maintain EDS access. It is planned to extend EDS into evenings to meet demand and provide access clinics in areas where General Dental Practices have closed or there is limited access to NHS dental services, subject to available resources being identified. Recruitment of dentists, willing to commit to NHS dental provision, is a significant barrier to providing EDS and recovering services, many recent PDS dentist posts have attracted no suitable applications. Recruitment of Dental Therapists has been slightly more successful, in part due to the UHI School of Dental Therapy located in Inverness.

Financial incentives to increase availability of NHS Dental Services currently in place include Scottish Dental Access Initiative grants (SDAI), one-off Recruitment & Retention allowance (for some dentists applying to work in the NHS Highland area) and annual Remote Areas allowances. These allowances have had limited success in improving recruitment/retention of Dentists. It is very welcome that one SDAI grant has been awarded to extend a Dental Practice in Alness and another is in the pipeline for Inverness. Further SDAI expressions of interest from Dental Practices will be sought. However, uncertainty about the future of NHS Dental Service provision is a significant barrier to applications for SDAI grants and recent Scottish Government grant funding provided to improve Dental Practice ventilation and Dental Practice improvements, which required a commitment to provide NHS services longer-term.

There is a risk of further deterioration of access to dental services and Public Dental Services being overwhelmed, resulting in reduction in routine dental care for priority group patients and deterioration of the oral health of the population, with widening oral health inequalities. Ongoing funding of Oral Health Improvement programmes such as Childsmile are important to maintain and develop.

Case study: Staffin Health Centre

Tobar na Slàinte, meaning 'well of health', is the name of the £250,000 new Staffin health centre.

Five years ago, Staffin Community Trust (SCT) and Staffin Community Council made a joint submission to NHS Highland seeking support for a new health facility amid concerns at the condition and suitability of the Nurse's Cottage, the location and age of which made improvements challenging.

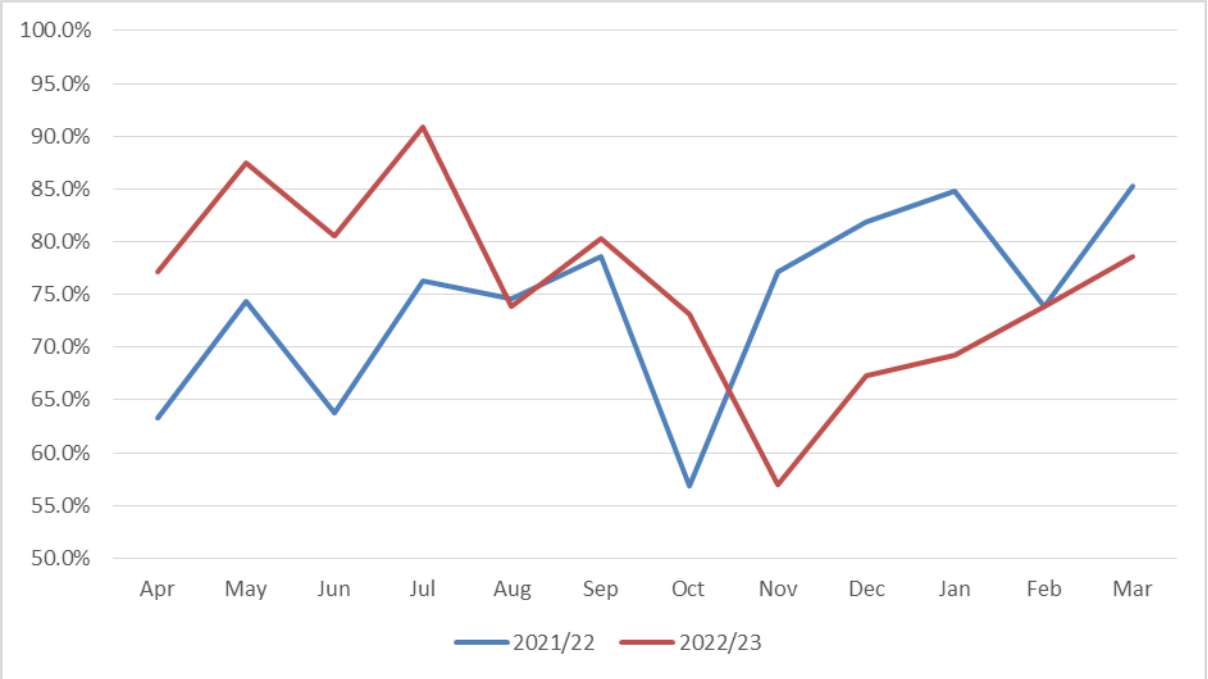
NHS Highland supported the proposal to include a health centre in SCT's Taighean a' Chaiseil development in Stenscholl, which also includes six houses and two business units. NHS Highland provided the internal specification and layout to ensure it can be a versatile health

facility. The building offers potential for digital health technology to be used to reduce traveling times for local patients. SCT will also encourage the use of the building for community health and wellbeing activities. The new building has a GP consultation room, patient interview room, waiting area, toilets/baby changer and kitchen/staffroom. The current GP clinic run by the Portree Medical Practice at the Nurse's Cottage will be moved to the new centre and NHS Highland will rent the property from SCT on a long-term basis.

NHS Highland will now seek to sell the Nurse's Cottage to SCT, who intend to offer it as an affordable housing opportunity.

Child and Adolescent Mental Health Services

The national target for Child and Adolescent Mental Health Services (CAMHS) is that 90% of young people to commence specialist CAMHS services within 18 wks of referral.
NHS Highland performance is 77.6%.

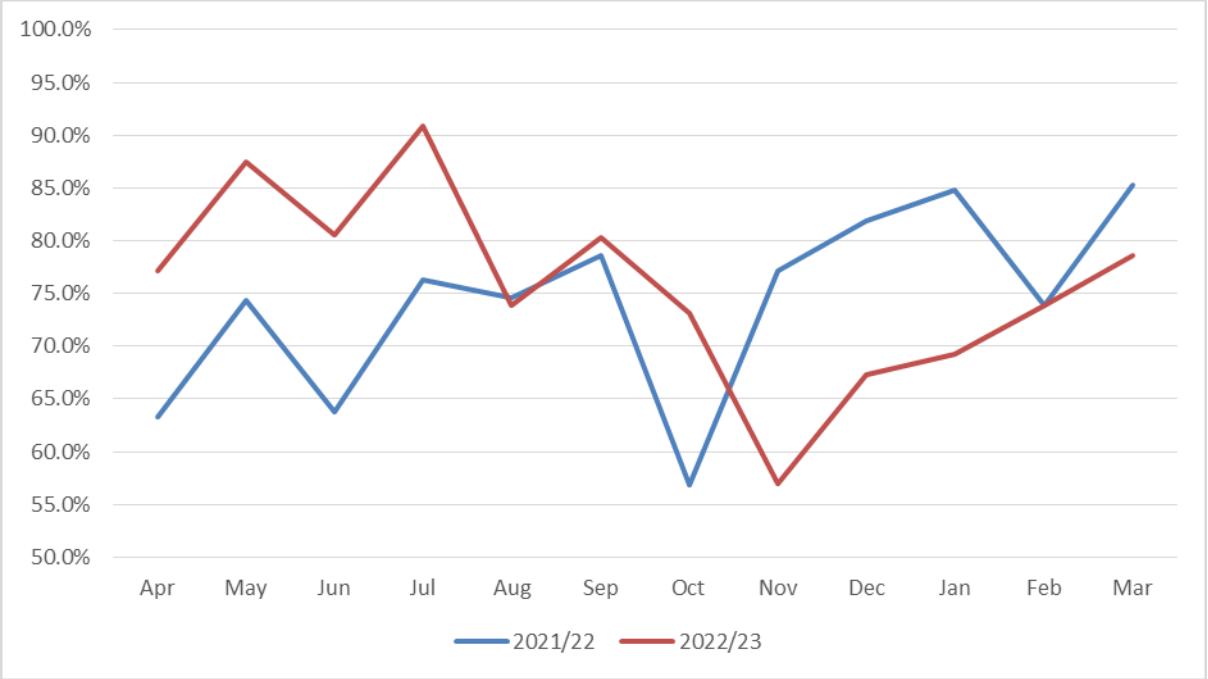


NHS Highland performance at March 2023 was 77.6%. This has increased from a low of 56.9 % in November 2022 while work focused on reducing the longest waits for treatment and the improvement demonstrated a reduction in people waiting longer than 18 weeks significantly. An increasing trend in new referrals, waiting for completed assessment/treatment is still affecting performance.

The service continues to pursue all attempts to increase service capacity through recruitment and continued commissioning of external service provision. Waits to access the Paediatric Neurodevelopmental service remain a challenge.

Psychological Therapies

The national target is that 90% of our population begin/start Psychological Therapies (PT) based treatment within 18 weeks of referral. NHS Highland performance is 86.7%.



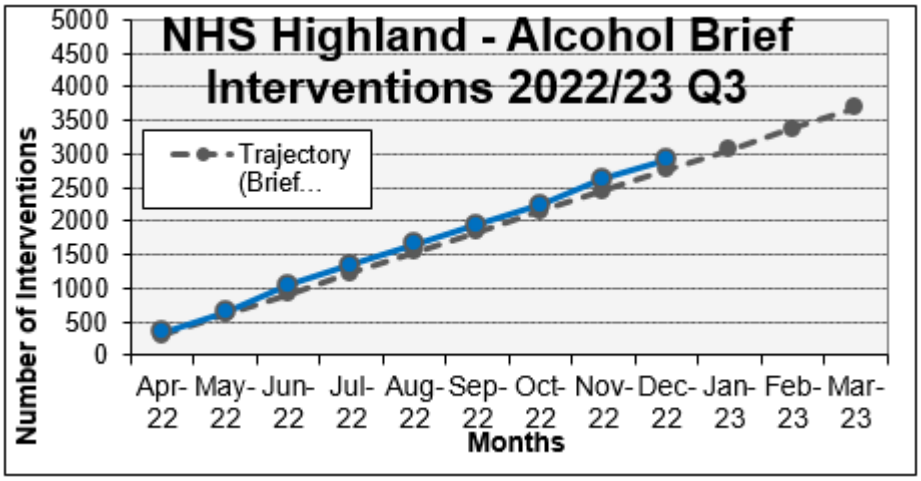
NHS Highland performance at March 2023 was 86.7%, and the board benchmarks positively across Scotland with the Scottish average being 82.4% at December 2022.
Work has focused on completing longer waits and waiting list validation. The % compliance has dipped slightly since Q3 of 22/23 due to us being unable to report some of the Psychological Therapies services that have moved into Primary Care.

Public Health

During the year the focus of Public Health has combined continuing to address COVID issues as well as coordinating and delivering on the wide range of wider public health activity. There has been a growing focus on health inequalities and on prevention and these are reflected in the work of the whole board.

Alcohol is an important factor in the health of the population and Alcohol Brief Interventions (ABIs) are a significant way to address this. The target for ABI's is to deliver 3688 ABI's in priority settings (Primary Care, A&E and Antenatal) and expand delivery in wider settings (quarterly). There is currently no specific targeted focus on inequalities. The Locally Enhanced Service for Alcohol Screening and Brief Interventions Service Level Agreement is currently being revised and updated.

NHS Highland was above target with 2945 Alcohol Brief Interventions completed in total during the first three quarters of 2022/23 (above trajectory of 2764).



Data for the previous year (2021/22) was not requested by Public Health Scotland for this time period. Reporting was re-instated from 2022/23 onwards when PHS started to request these reports again post-COVID.

The national target for smoking cessation has remained the same for the last five years with only three of 15 Boards reaching the Local Delivery Plan target in 2020/21 and four reaching the target in 2019/20. In NHS Highland 141 successful quits at 12 weeks were achieved in December 2022.

COVID and influenza vaccination winter uptake was slightly higher in NHS Highland compared with the average for Scotland. Also, local rates have also exceeded national averages for care home residents and health and social care staff. Argyll & Bute uptake is higher than that for Highland. The overall uptake for COVID vaccination was 73% against a target of 80%.

Financial Performance

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

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

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

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/ Surplus £'000
Core Revenue Resource Limit	920,314	919,931	383
Non-core Revenue Resource Limit	45,430	45,430	0
Total	**965,744**	**965,361**	**383**
Core Capital Resource Limit	33,934	33,855	79
Non-core Capital Resource Limit	31	31	0
Total Capital Resource Limits	**33,965**	**33,886**	**79**

Cash Requirement £1,023,258

MEMORANDUM FOR IN YEAR OUTTURN	£'000
Core Revenue Resource Variance (Deficit)/ Surplus in 2022/2023	383
Financial flexibility: funding banked with/(provided by) Scottish Government	(16,272)
Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	(15,889)
Percentage	-2%

The financial plan submitted to Scottish Government for the 2022/2023 financial year had an initial financial gap of £42.272m. A cost improvement programme of £26.000m was developed which left an unfunded element of £16.272m.

During the year difficulties with recruitment and demand for services resulted in the emergence of significant cost pressures in a number of areas, with supplementary staffing costs being a particular driver. As similar pressures emerged nationally Boards were asked to submit Financial Recovery Plans detailing how a year-end financial position at least in line with the estimates in the initial Financial Plan would be delivered. For NHS Highland this meant delivering a financial position which did not exceed a £16.272m overspend.

In addition to emerging cost pressures delivery against the cost improvement programme was limited with £9.901m of being delivered in year (£3.211 recurring/ £6.690m non-recurring).

Formal monthly reporting to Scottish Government progressed from quarter 1 with ongoing dialogue throughout the year around the Recovery plan and allocations. Scottish Government established a number of programmes of work to provide support to address the financial challenge in 222/2023 and beyond. NHS Highland continues to participate in these programmes to ensure best practice is replicated in Board.

The Table below highlight some of the actions and benefits received to offset the increasing costs and undelivered savings:

	Plan £m	Actual £m
Month 5 Position (at time of recovery plan development)	(33.600)	(33.600)
Recovery Plan Actions		
Potential Technical Adjustments	7.436	1.587
SG lodgement over 2021/2022 year end	5.810	4.189
VAT Reclaimation Exercise	0.500	0.500
Support with ASC overspend	1.387	1.387
Increased Cost Control Measures	3.205	
In year benefit from NI funding	1.659	1.659
Other Movements		
Additional New Medicines Fund		6.534
Reduction in CNORIS top slice		0.417
Additional Planned Care Funding		0.881
Reduction in top slice for national costs/ projects		1.400
Deterioration in operational position/ (slippage in reserves)		(0.845)
	(13.603)	**(15.891)**
Receipt of Brokerage from Scottish Government		16.272
Reported position as per draft Annual Accounts		**0.381**

In order to achieve in year financial balance Scottish Government has provided financial support, by means of repayable brokerage, of £16.272m. A surplus of £0.383m is reported in 2022/2023 reflecting this financial support.

Argyll and Bute IJB:

Argyll & Bute HSCP reported a year end underspend of £5.5m in 22/23. A number of factors contributed to this position including the delivery of savings, improved financial management and governance, and additional funding allocations from the Scottish Government giving a combined benefit of £0.6m, slippage in project timelines giving a surplus of £2.1m in reserves, savings of approximately £1.8m relating to continued staff vacancies and a benefit of £1m in respect of lower than anticipated demand or provision of some services, including services provided by Greater Glasgow and Clyde Health Board. The underspend will be carried forward in the IJB reserves.

The IJB had Covid-19 reserves that covered forecast costs for 22/23. Scottish Government issued a letter stating that they would reclaim any surplus Covid reserves to allow them to redistribute the funding across the NHS to meet current Covid priorities. The total value of funding reclaimed from A&B HSCP was £5.96m.

Highland Health and Social Care Partnership:

Highland Health & Social Care Partnership reported an overspend of £6.8m. Significant additional costs in relation to locums and agency nursing cover have been incurred which have in part been mitigated by vacancies this and non-achievement of savings are the main drivers of the overspend.

Adult Social Care is reported within the Highland Health & Social Care Partnership as a delegated function from The Highland Council. Although the service reported a break-even position in the year, this was achieved through the use of reserves generated in prior years. There is a small amount of reserve remaining, which will be utilised in full during 2023/24 with

significant financial pressures being projected in future years. A change programme will be required to address the sustainability issues facing the care sector which may require further financial investment.

Acute:

Acute Services reported a full year overspend of £24.883m with the most significant element been as a result of additional staffing costs to cover vacancies and service delivery pressures. Accelerating drugs costs and non-achievement of anticipated savings were also contributing factors.

Bad debt provision of £1.847m this year (prior year £1.672m) is based on all non-government debt outstanding greater than one year old, except for Road Traffic Accident (RTA) reclaims. Bad debt of 23.76% of total net outstanding value of RTA income has been provided for based on historic patterns of recovery (as per Government guidance). This will change to 24.86% in 2023/2024.

Capital funding of £32.061 million for capital purchases was received for the year 2022/23 which was utilised in full for the year. The main areas of spend were in the building of the new National Treatment Centre; purchasing equipment; maintenance and upgrade work to “Home Farm” care home that came under the management of NHS Highland; and ongoing maintenance of our estate.

A full schedule of expenditure is reflected below:

Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000
	Capital Schemes	
35	Radiotherapy	34
13,884	National Treatment Centre (Highland)	14,142
500	NTC-(H) eHealth Capital Expenditure	699
160	Grantown Health Centre Refurbishment	186
199	Belford Hospital Replacement Fort William	199
562	Caithness Redesign	562
700	Increased Maternity Capacity - Raigmore	646
860	Raigmore Fire Compartmentation upgrade	860
1,200	Raigmore Lift Replacement	1,220
740	Home Farm works	738
85	Cowal Community Hospital GP relocation	93
95	Raigmore Car Park Project	95
759	Wifi network Installation Project	759
71	Endoscopy Decontamination Washers	71
954	Laundry Water Filtration Equipment	1,024
-	Campbeltown Boiler Replacement	(24)
2,485	BackLog Maintenance Additional Funding	2,478
1,290	National Infrastructure Equipment Funding (NIB)	944
170	Ultrasound - Dunoon & Mid Argyll	170
49	Digital Pathology switches	49
186	AAA Screening Equipment	186
24,983		**25,130**
	Formula Allocation	
897	PFI Lifecycle Costs	845
2,538	Estates Backlog Maintenance	2,553
1,850	Equipment Purchase Advisory Group (EPAG)	1,854
1,250	eHealth Capital Allocation	1,271
500	Minor Capital Group	499
9	AMG Contingency	7
(97)	Other	(97)
6,947		**6,931**
162	Disposal NBV	-
2	Sub Debt	-
(32)	Capital Grants	-
32,061	**Capital Expenditure**	**32,061**

Public Finance Initiative/Public Private Partnerships

Provision of Easter Ross Primary Care Resource Centre

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

Provision of New Craigs Hospital

Start date July 2000 ending June 2025.

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

Provision of Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead

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

Provision of Tain Health Centre

We have a service concession agreement with HUB North of Scotland Ltd for occupancy of the Tain Health Centre effective 24th May 2014. Under the terms of the agreement NHS Highland have a legal commitment to occupy the building for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs. The ownership of the asset will transfer to the Board at the end of the 25 year agreement.

Payment Policy

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

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

	2021/22	**2022/23**
Average period of credit taken	13 days	11 days
Percentage of invoices paid within 30 days:		
- by volume	93.11%	93.33%
- by value	93.59%	94.18%
Percentage of invoices paid within 10 days:		
- by volume	76.33%	77.68%
- by value	77.19%	76.53%

The performance of meeting the 10-day target for taking credit has not been met however has improved slightly from last financial year.

Pension Liabilities

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

Statement of Best Value

NHS Highland is committed to securing the principles of best value in the use of public funds in line with arrangements within the Scottish Public Finance Manual. This is embedded with planning, performance monitoring and delivery ensuring that consideration of best value is integral to all decision making. The Board's Code of Corporate Governance provides specific guidance on the mechanisms in place to ensure that robust arrangements are in place to secure best value.

Social Matters

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

NHS Highland published its Equality Outcomes and Mainstreaming Report in April 2021 which summarised how NHS Highland would meet its statutory requirements under the Scotland Specific Duties of Equality Act 2010. Three outcomes were outlined that the board would work towards by 2025 and a report setting out progress against these outcomes was published in March 2023.

The outcomes are -

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

- Outcome 2 - In Highland, all individuals are equally safe and respected, and women and girls live free from all forms of violence and abuse and the attitudes that perpetuate it.

- Outcome 3 - In Highland, people from identified groups will have more control over the care and services they receive.

Examples of progress made against these outcomes are -

- Work has been initiated with University of the Highland and Islands (UHI), and local business organisations to support Suicide Intervention and Prevention Programme training and suicide awareness amongst populations that have higher rates of suicide. These include the construction industry, forestry, and engineering. Training providers will continue to explore further opportunities to work with population groups who are most affected by suicide.
- Gender based violence guidelines have been developed and are available on the NHS Highland intranet for all staff to access. There are additional materials and guidance available on the Highland Violence Against Women Partnership website
- An internal framework and resources have been introduced to support meaningful conversations and engagement with communities and key groups

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

NHS Highland Equality Outcomes and Mainstreaming Progress Report 2021-2023

NHS Highland has processes in the place to comply with the revised Whistleblowing Standards which were launched with effect from 1 April 2021 and liaises closely with the Independent National Whistleblowing Office and our nationally appointed Board Whistleblowing Champion, Albert Donald. We also have an independent, external Speak Up Guardian Service in place which provides an additional channel for employees to raise concerns.

NHS Highland has a zero tolerance for fraud, bribery or corruption. Staff are updated regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness training has been created on TURAS by CFS and is available to all staff.

NHS Highland has robust procedures in place, which reduce the likelihood of fraud occurring. These are included within the Code of Corporate Governance (i.e., Standards of Business Conduct, Standing Orders, Standing Financial Instructions), financial procedures, systems of internal control and risk assessment and not least a comprehensive counter fraud policy action

plan. The Board takes part in a post payment verification system which covers all Family Health Service expenditure.

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

Sustainability and Environmental Reporting

The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. In 2020 'The Climate Change (Scotland) Amendment order came into force to reflect this and now requires NHS Boards to report on their progress in delivering their emissions reduction targets.

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

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

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

Chief Executive and Accountable Officer

24 July 2023

B THE ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

(a) The Directors Report

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

Date of Issue
Financial statements were approved by the Board and authorised for issue by the Accountable Officer on 24 July 2023.

Appointment of Auditors
The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2022/23 the Auditor General appointed Audit Scotland to undertake the audit of NHS Highland. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

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

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

Chair	**Prof. Boyd Robertson**, until 31 March 2023	
Executive Directors	**Pam Dudek**	Chief Executive
	Boyd Peters	Board Medical Director
	Heidi May	Nurse Director, until 31 October 2022
	Kate Patience Quate	Interim Nurse Director from 1 November 2022 to 31 January 2023
	Louise Bussell	Nurse Director from 1 February 2023
	Tim Allison	Director of Public Health
	Dave Garden	Director of Finance, until 30 June 2022
	Heledd Cooper	Director of Finance from 8 August 2022

Non-Executive Directors

Alexander Anderson, Chair Finance, Resources & Performance Committee
Graham Bell
Jean Boardman
Alasdair Christie, Chair Audit Committee until 31 December 2022 and Chair of Clinical Governance Committee from 1 January 2023
Sarah Compton Bishop, Chair Staff Governance Committee
Ann Clark, Board Vice Chair, Chair Remuneration Committee, Chair Highland Health and Social Care Committee until 31 December 2022
Albert Donald, nationally appointed Whistleblowing Champion
Philip Macrae
Joanne McCoy
Gerard O'Brien Chair Health and Social Care Committee from 1 January 2023
Susan Ringwood
Gaener Rodger, Chair Clinical Governance Committee until 31 December 2022 and Chair of Audit Committee from 1 January 2023

Stakeholder Members
Graham Hardie, Argyll and Bute Council until 5 May 2022
Garret Corner, Argyll and Bute Council from 30 May 2022
Deirdre Mackay, The Highland Council until 5 May 2022
Muriel Cockburn, The Highland Council from 14 June 2022
Catriona Sinclair, Area Clinical Forum Chair
Elspeth Caithness, Employee Director

The statement of Board Members' responsibilities
Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 23 and of its operating costs for the year then ended. In preparing these accounts, the Directors are required to:

- apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers
- make judgements and estimates on a reasonable basis
- state where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate

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

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

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

During the year, several current Directors/Senior Employees indicated interests in contracts or potential contractors with the Health Board work. These were:

Alexander Anderson	Scrabster Harbour Trust
Pam Dudek	Redtwo591 Ltd
Graham Bell	Director - The Leader Scotland Community Justice Scotland Cove Burgh Hall
Jean Boardman	Member of Argyll and Bute Integration Joint Board Citizens' Advice Bureau
Elspeth Caithness	Royal College of Nursing Trade Union
Alasdair Christie	Inverness, Badenoch and Strathspey Citizen's Advice Bureau Highland Councillor
Ann Clark	Elsie Normington Foundation member
Muriel Cockburn	Elected Member of The Highland Council, Holiday Lodge Grantown on Spey Caravan Park
Sarah Compton-Bishop	Isle of Jura Development Trust Jura Care Centre Group The Highlands and Islands Transport Partnership (HITRANS)

Heledd Cooper	Trustee Health24 Charity
Garret Corner	Elected Member of Argyll and Bute Council
Albert Donald	Scottish Professional Football League Scottish Football Association NHS Grampian Non-Executive Director, Whistleblowing Champion
Deirdre Mackay	Highland Councillor Sutherland Community Partnership East Sutherland & Caithness CAB Voluntary Groups Sutherland
Philip MacRae	Highland Cycle Tours Scottish Social Services Council
Joanne McCoy	Highland Third Sector Interface The Reel McCoy, quilting and textiles art
Gerard O'Brien	Voluntary Action Orkney Trustee THAW Orkney
Boyd Peters	Cairngorm Mountain Rescue Team
Susan Ringwood	Cotman Housing Association
Gaener Rodger	Cairngorms National Park Authority Board member Director Kazbeg Ltd Member of Inspiring Young Voices Member Girlguiding Scotland and Girlguiding UK Member of Culloden Academy Parent Council
Catriona Sinclair	Director Spa Pharmacare Ltd. Director Community Pharmacy Scotland, Board member Royal Pharmaceutical Society Scottish Pharmacy Board Director CPS services Edinburgh

All Board Members are Highland Health Board Endowment Fund Trustees.

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

Remuneration for non-audit work
Our external auditors, Audit Scotland, did not undertake any non-audit work on behalf of the Board.

Value of Land
The value of land (excluding land that has been declared surplus to requirements) recorded in our SoFP is at current value. Surplus land has been valued at Open Market Value.

Public Services Reform (Scotland) Act 2010
Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each year. Data is published on our website – here

Personal data related incidents reported to the Information Commissioner
During the period 1 April 2022 to 31 March 2023 NHS Highland has reported eight potential data related incidents or data breaches to the Information Commissioners Office (ICO) with no further action being taken for each of these incidents. This is an increase from five incidents reported to the ICO during the 2021/22 financial year. It should be noted that of the eight incidents reported three involved national technical incidents where NHS Highland were required to make a report as the Data Controller. These incidents were subsequently managed at a national level.

Disclosure of Information to Auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

(b) The statement of the Chief Executive's responsibilities as accountable officer

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

This designation carries with it, responsibility for:

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

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

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated to me in the Departmental Accountable Officers letter dated 19 August 2020.

Signed: 

Chief Executive and Accountable Officer.

24 July 2023

C THE GOVERNANCE STATEMENT

Scope of Responsibility

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

I took responsibility for governance when I was appointed Accountable Officer by Scottish Government on 5 October 2020.

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

Purpose of Internal Control

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

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

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

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

Governance Framework

NHS Highland is responsible for commissioning and providing health care services for the residents of Highland and Argyll & Bute. A Board (the NHS Board), with a majority of Non-Executive members, sets its strategic direction in line with national policy and local needs and supported by several governance committees, receives assurance on achievement of its objectives and on the quality of its services. The Board has collective responsibility for health improvement, the promotion of integrated health and community planning through partnership working, involving the public in the design of healthcare services and staff governance.

The NHS Board's work is linked with that of the Argyll & Bute Integration Joint Board which is a separate legal body set up under the Public Bodies (Joint Working) (Scotland) Act 2014 which aims to better integrate Health and Social Care services. The planning, commissioning, and oversight of a range of health services and adult social care are delegated by the Board and the Local Authority to the Integration Joint Board.

The Highland Partnership (The Highland Council and NHS Highland) commits to achieving the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014 through a Lead Agency arrangement.

Members of Health Boards are selected based on their position, or their expertise, which enables them to contribute to the decision-making process at a strategic level.

NHS Highland Board meets every two months to progress its business. All Board meetings are held in public with Board papers and agendas being published on our website. When an item of business is commercially sensitive, that item will be discussed in private session. Public accessibility to Board meetings has been maintained throughout 2022-2023 with access for stakeholders and public through MS Teams.

The Board also holds Briefing Sessions 10 times per year to update Board members on current hot topics, horizon scan, and engage the Board in the strategic direction of the organisation. These sessions have clear outcomes identified and in November 2022 the Board reviewed their focus and frequency. Up to two sessions are held per year focussing on Board members' development needs to improve skills and knowledge across the Board.

The Code of Corporate Governance, revised on an annual basis, identifies Committees that report to the Board to enable it to fulfil its duties. Each Governance Committee has a clear role and remit, is chaired by a Non-Executive Director, with a Non-Executive Vice Chair and at least two Non-Executive Director members.

The Board's Governance Committees ensuring compliance with relevant laws, regulations and policies and procedures are Audit Committee; Clinical Governance Committee; Staff Governance Committee; Finance, Resources and Performance Committee; Remuneration Committee; and Pharmacy Practices Committee. All Governance Committee minutes are available to the public on our website with the exception of the Remuneration Committee. The principal function of each committee is:

Clinical Governance - To carry out the statutory duties as outlined in NHS MEL(1998~)75, NHS MEL (2000)29 and NHS MEL (2001)74 and to give the Board assurance that clinical and care governance systems are in place and working throughout the organisation.

Audit Committee - To provide the Board with the assurance that the activities of NHS Highland Board are within the law and regulations governing the NHS in Scotland that an effective system of internal control is maintained and that a strong corporate governance culture is in operation. The duties of the Audit Committee are in accordance with the Scottish Government Audit & Assurance Handbook, dated March 2018.

Staff Governance - The purpose of the Staff Governance Committee is to support and maintain a culture within the health system where the delivery of the highest standard possible of staff management is understood to be the responsibility of everyone working within the system and is built upon partnership and collaboration. It will ensure that robust arrangements to implement the Staff Governance Standard are in place and monitored.

Remuneration - To consider and agree performance objectives and performance appraisals for staff in the Executive cohort and to oversee performance arrangements for designated senior managers. The Committee will be responsible for applying the remit detailed in NHS: MEL (2000) 25, NHS HDL (2002) 64 and subsequent guidance.

Finance, Resources & Performance - The purpose of the Committee is to keep under review the financial position and performance against key finance and non-financial targets of the Board, to ensure that suitable arrangements are in place to secure economy, efficiency and effectiveness in the use of all resources and that the arrangements are working effectively.

Highland Health and Social Care - The purpose is to provide assurance to NHS Highland Board that the planning, resourcing and delivery of those community health and social care services that are its statutory or commissioned responsibility are functioning efficiently and effectively, ensuring that services are integrated so that people receive the care they need at the right time and in the right setting, with a focus on community-based, preventative care.

Highland Health Board

Membership of committees is reflected below:

	HHSCC	HHSCP JMC	ARGYLL AND BUTE IJB	AUDIT	FINANCE RESOURCES PERFORMANCE	CLINICAL GOV	STAFF GOV	REM COMM	PHARMACY PRACTICES	ENDOWMENTS COMMITTEE
Alex Anderson		✓		✓	✓ Chair					
Graham Bell			✓ Vice Chair / Chair from April 2023		✓ V Chair					
Jean Boardman			✓ Until 30 June 2023						✓ Until 30 June 2023	✓ Until 30 June 2023
Elspeth Caithness Employee Director							✓	✓		✓
Alasdair Christie				✓		✓ Chair				
Ann Clark	✓	✓			✓		✓Interim Chair from April 2023	✓ Chair		
Muriel Cockburn	✓					✓				
Sarah Compton-Bishop			✓				✓	✓		
Garret Corner				✓	✓					
Bert Donald							✓	✓		
Philip MacRae	✓ V Chair						✓			✓ Chair
Joanne McCoy	✓					✓ VCh from May 2023			✓	
Gerry O'Brien	✓ Chair	✓			✓			✓		
Susan Ringwood			✓	✓					✓	
Boyd Robertson								✓ until 31 March 2023		
Gaener Rodger				✓ Chair		✓			✓	✓
Catriona Sinclair ACF Chair						✓				

Other Governance Arrangements

NHS Highland's Governance Framework operates under a Code of Corporate Governance which was revised throughout the financial year and approved by the Board in January 2023. The Code includes the following documents:

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

The conduct and proceedings of the NHS Board are set out in the Standing Orders. These specify the matters which are solely reserved for the NHS Board to determine, the matters which are delegated under the scheme of delegation and the matters which are remitted to a Governance Committee of the NHS Board.

All Committees of the Board provide an Annual Statement of Assurance to the Audit Committee and Board, describing their membership, attendance, frequency of meetings, business addressed, outcomes and assurances provided, risk management and to demonstrate they have fully fulfilled their roles and remit.

The Board has revised and extended a standard level of assurance approach to all Board and Governance Committee business throughout the financial year. The reporting format lays particular emphasis not only on the level of assurance being offered but also on the delivery of objectives associated with the five-year Strategy 'Together We Care, for you with you', and the risks that are being addressed.

A very positive meeting was held with the Scottish Parliament Public Audit Committee on 28 April 2022, attended by the Board Chair, Chief Executive and Director of Finance. The Committee were sufficiently assured by the evidence of improvements made and agreed that their scrutiny of NHS Highland's Section 22 report was fully concluded.

Our Annual Review took place with Kevin Stewart, Minister for Wellbeing and Social Care on 4 May 2022. This was a very positive meeting at which it was acknowledged that the Board's escalation status was under close review considering the further progress that had been made.

We now have in place a robust approach to governance and assurance at Management Executive and Non-Executive level, with ongoing training and development in place to ensure everyone understands their role and responsibilities. Appropriate oversight, scrutiny and challenge is present across the system, and everyone understands and carries out their responsibilities in this regard. We have refreshed our committee structures to ensure they enable the right level of scrutiny and assurance to be given and that there is appropriate challenge present in our system.

Escalation Status

NHS Highland has made major advances in addressing a transformation agenda which covered culture, finance, performance, governance and leadership. Board governance has been greatly enhanced through measures such as the strengthening of the Board Assurance Framework, a revised Committee structure and a bi-monthly Integrated Performance and Quality Report. The leadership of the organisation has been radically revamped both in terms of the executive and non-executive arms and we now have a very strong Board in place.

In October 2022 NHS Highland received Scottish Government confirmation that it was de-escalated to Stage 2 of the NHS Performance Escalation Framework in respect of Governance, Leadership and Culture. Scottish Government continue to monitor and support the Board as longer-term cultural changes become embedded in the organisation.

It was confirmed also in October 2022 that NHS Highland remains at Stage 3 for Financial Management and Mental Health Performance until further progress is made in the provision of mental health services, and a national review of the NHS Scotland's financial position is complete. Measures remain in place for Scottish Government to support the Board for these two areas.

Leadership
Prof. Boyd Robertson, NHS Highland Board Chair, demits office at the end of the financial year. Prof. Robertson has been central to the many successes enjoyed by NHS Highland over the financial year. Announcement of an appointment of a replacement was made by Scottish Government on 22 March 2023. Sarah Compton Bishop, an existing Board member, steps into the role from 1 April 2023. The Board will therefore benefit from her expertise, experience and leadership in her new role as Chair.

We have been successful in recruiting to all our key Executive posts during financial year 2022/23. This has included Director of Finance, Nurse Director, Deputy Chief Executive and an interim Chief Officer for Community Services. We now have a stable Executive leadership team in place who are delivering on our transformation agenda and role modelling the culture and behaviours we wish to see across the organisation.

Blueprint for Good Governance

Work has been ongoing throughout the year to improve Board effectiveness and in July 2022 the Board completed its 2019 Action Plan to meet the expectations of NHS Scotland Blueprint for Good Governance DL(2019)02. In December 2022 DL(2022)38 Blueprint for Good Governance Second Edition was released. The Board agreed to participate as a pathfinder to establish a self-assessment process which could subsequently be used to develop and support a consistent approach to self-assessment against the new Blueprint across NHS Scotland.

Setting Direction
- The Board agreed its five-year Strategy 'Together We Care, with you for you' in September 2022 which set out a positive and ambitious plan for NHS Highland over the next five years. As the Board delivers on its Strategy this will improve health and care services for our population, people and partners. The Strategy does not propose a radical change of direction from the previously agreed one-year Plan, but a re-emphasis on the elements that are pivotal to health and social care as directed by our engagement and consultation. The strategy is firmly anchored in our population and people and puts them at its heart. It is fully cognisant of the role and responsibilities of the lead agency in the Council area and the IJB in Argyll & Bute.
- Given the Board's focus on its overall self-assessment through the Blueprint Pathfinder work mentioned above, Committee self-assessment was suspended until the end of 2023 so that it will usefully inform the Committee workplans for 2024-25.
- The Board has successfully implemented a co-produced planning cycle framework for the 2022/23 financial year. In March 2023 annual Workplans were approved for Board and governance committee business. Workplans consider all the key plans/strategy documents/annual and other reports required for submission to Scottish Government, with indication of timing/governance committee/executive leads etc. This provides clear oversight of the necessary reporting duties of the Board and ensures appropriate sequencing of Board business.
- Board and Committee Chairs meetings have taken place throughout the financial year. Potential Committee agenda items are considered and scheduled as appropriate. The Group maintains oversight of Governance Committee remits and priorities.
- Weekly meetings are held between the Chief Executive, Chair and Vice Chair.

Other Governance Arrangements

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

Performance is a key element of the structure at all levels with programmes of work under a Performance Recovery Board and a Financial Recovery Board. These programme Boards are driven by the strategic direction and operational delivery requirements and are accountable to the Finance, Resources and Performance Committee of the Board.

The Board and governance Committee have continued to maintain oversight of the organisation's performance through the bi-monthly Integrated Performance and Quality report, visible throughout the leadership structure as a high-level overview of the performance of our system of health and care. Reporting on aspects of Clinical, Operational, Financial and Staff governance, the report ensures a holistic view of the organisation which is overseen by the Board's Governance Committees.

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

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

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

Culture

Governance is also referenced in the Sturrock report recommendations and the Independent Review Panel Organisational Learning Reports and detailed information on what has been delivered is available via the reports of the 28 June 2022 Special Board Meeting (Appendix 13).

During the 2022/2023 financial year, NHS Highland has continued with a strong focus on transforming culture and which was embedded into the People objectives of the Together We Care strategy and our Annual Delivery Plan for 2022/23.

Under our four Strategic People intentions of Grow Well, Nurture Well, Listen Well and Plan Well, we've made several significant steps forward to achieve our People Objective "To be a great place to work". We set ourselves ambitious targets in all aspects of our strategy and have learned across the year that we need to be more focussed and prioritise a smaller number of outcomes each year, to ensure we maximise the impact of our resources. Despite this, we've delivered an all-colleague Welcome to NHS Highland Day 1 Induction, as well as delivery of our Essentials of Management programme and four levels of leadership modules.

We've invested in our Organisational Development capacity, supporting team interventions, and delivering the Insights programmes to number of teams with great impact on understanding each other and working well together. We've been promoting the principles of Civility Saves Lives

and are working towards co-production with colleagues of revised values and behaviours statements.

In our third year of working with our Independent Speak Up Guardian service, 232 colleagues this year were provided with vital confidential support. This is an essential part of understanding our colleagues' experiences, offering alternative routes for listening and being able to resolve issues and rebuilt trust and confidence.

We've continued to increase the uptake of the early resolution elements of the Once For Scotland policies, with the co-production and launch of our Early Resolution toolkit and ongoing training of people managers, ensuring that as many concerns as possible are resolved informally and quickly.

We've also supported over 80 senior managers through the NEBOSH accredited HSE leadership training to ensure our colleagues and patients are kept safe.

We've continued to promote the Whistleblowing Standards and have worked with the Independent National Whistleblowing Officer to produce new national guidance. We actively promoted the Standards through October's Speak Up week, with visits, presentations, and talks. Our first annual Whistleblowing report was widely shared and featured a summary version for all colleagues.

Engagement and listening is always high on our agenda, with our virtual Listening and Learning panel in place with a diverse range of colleagues who come along and share their thoughts and experiences and feedback on proposals. We've also done Listening and Learning visits across the Board area and had a programme of Executive visits. Our weekly all colleague emails, and executive videos are well received and our development of the Together We Care strategy gave us further opportunities to engage with colleagues in person and online. Wellbeing is another priority area for us, we've continued to promote take up of our Employee Assistance Programme, with Health Hero (formerly Validium) for 24/ 7 support and advice. We've also been piloting Mental Health first aid training in key teams and increased the resources available to our spiritual care team, who colleagues value for their empathy, support and reflective practice. We've continued to promote awareness of Menopause and launched our toolbox of support resources, as well as our own policy.

Information Governance and Security

Responsibility for oversight of information governance within NHS Highland falls on the Information Assurance Group. The group meets on a two monthly schedule and is chaired by the Interim Deputy Chief Executive/SIRO who also represents information governance and information security at board level. The composition of the Information Assurance Group membership ensures that Information Governance, information security and data protection matters are considered from diverse organisational viewpoints.

Being classified as an operator of essential service, NHS Highland is subject to the Network and Information Systems (NIS) regulations. Compliance to the NIS regulations is monitored by the Scottish Health Competent Authority who conduct annual audit assessments against the Scottish Public Sector Cyber Resilience Framework control set. The 2022 NIS audit resulted in a compliance score of 55% which was broadly in line with other NHS Scotland Boards and indicated several areas of improvement. A Digital Resilience Group chaired by the NHS Highland Head of Resilience has been created to act as a focal point for improving cyber security, resilience, and NIS compliance across NHS Highland. NHS Highland have become early adopters of the NSS provisioned Cyber Centre of Excellence, a specialist cyber security function that strengthens NHS Highlands ability to detect, respond and recover from cyber incidents.

Assessing Risk

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

The Board has developed an interim strategy and policy for risk management. The workplan for 2023 is as follows:

- A risk appetite statement will be agreed by the Board
- Review of risk assessment processes across each division to ensure consistency of approach
- A risk training strategy and a risk communications plan will be developed by the Risk Management Steering Group

Board Risks are reviewed by the responsible Executive Director and appropriate Governance Committees on a bi-monthly basis and are presented to the NHS Highland Board at each of its meetings. The Executive Directors Group is responsible for reviewing the Board risk register and agreeing new risks for inclusion onto the Board risk register.

Risk Management

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

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

NHS Highland's Board Risk Register draws attention to the challenges of working in remote and rural geographies. The Register refers specifically to the very high risks associated with delivery of essential services due to potential shortage of an available and affordable workforce. There is also a risk of our workforce being impacted by current social, political and economic challenges. Similarly, NHS Highland is operating within a strategic context of increasing financial challenges and a real term reduction of resources. Therefore, despite our aspiration to deliver all services in all areas, or financial and workforce challenges may restrict our ability to do so. Allied to these very high-level risks, NHS Highland has also identified a need to re-design to respond systematically and robustly to the challenges it faces. The NHS Highland Board Risk Register also includes compliance with statutory and mandatory training, cyber security, organisational culture, estates backlog maintenance and fire compartmentation.

The benefits of effective risk management throughout the organisation will help NHS Highland to achieve delivery of NHS Highland's Together We Care (TWC) strategic objectives, improve service delivery, increase efficiency, support and inform decision making, help provide a safe and secure environment and encourage a culture of quality improvement. Oversight of the NHS Highland risk management framework is through the Risk Management Steering Group.

Financial Plan 2023/24

NHS Boards are required to submit a 3-year financial plan for 2023-2026, with focus on 2023/24. NHS Highland Board approved the plan at the meeting held on the 30 May 2023, reflecting the ongoing financial challenges with an opening underlying financial gap of £98.172m and a plan to reduce this by £29.5m to deliver a planned position of £68.672m deficit.

Review of Adequacy and Effectiveness

As Accountable Officer, I am responsible for reviewing the adequacy and effectiveness of the system of internal control. My review is informed by:

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

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

Internal Audit reviews identify agreed actions to be undertaken. These are subsequently followed up to ensure these actions have happened within the timescales agreed. The Executive Directors Group has been reviewing these on an ongoing basis and where previously agreed dates have slipped for the higher risk actions, ensuring that these are completed by the revised agreed dates. The Audit Committee continues to monitor and receive reports on progress to completion of all the actions and has taken active and positive steps to improve implementation of Internal Audit recommendations. In 22/23 Internal Audit gave the opinion that our framework of governance, risk management and controls that provides limited assurance regarding the effective and efficient achievement of objectives.

For 2022/23 the Audit Committee agreed a wide range of areas to review, and together with management, identified the areas where there were known issues and using the expertise of the internal audit recommendations to design the updated control environment. Audit Committee also requested the key themes to be drawn out of these audits. The areas covered by the internal audit plan for 22/23 included:

- Adult Social Care Invoicing
- Endowments
- Governance and Accountability of Finance and Performance
- Payroll – Protected Payments
- Environmental Sustainability
- Community Planning Partnership
- Out of Area Referrals
- Consultants Contracts Job Planning
- Recruitment
- Workforce Planning
- Shadow IT
- Property Transaction Monitoring

The audits identified 1 very high risk exposure and 31 high risk exposures across 10 of the audits undertaken reflecting:

Very high risk – major concerns requiring immediate senior attention that create fundamental risks within the organisation and:

High risk – absence/ failure of key controls that create significant risk within the organisation.

Key themes were identified by these audits as reported by the internal auditors highlighting:

*"**Underpinning Data and Intelligence***
In order to make the most effective decisions, NHS Highland needs relevant, evidenced based, and good quality data. Following on from issues identified in 2021/22 - and whilst recognising wider ongoing plans and initiatives since being developed - we identified scope to address data challenges to support improvement in decision making across a number of audits (Job Planning, Governance and Accountability of Finance and Performance, Payment Protection and Workforce Planning). We also noted in Community Planning Partnerships, Job Planning, Workforce Planning, Environmental Sustainability there was inadequate consideration and linkage with action plans, guidance and reports to national and NHS Highland strategic drivers. This led to issues with understanding and effectiveness of reporting.

Scrutiny and Challenge
Whilst we identified some good scrutiny and challenge in certain areas as reported in individual audit reports, our audits of Payment Protection, Out of Area Referrals, Community Planning Partnerships, Environmental Sustainability and Recruitment identified ineffective and/or negative reports being presented to operational and governance groups which were not being escalated, challenged or progress adequately monitored. Linked to this we also found that recording of challenge and scrutiny was not well evidenced in minutes (an issue also noted per the audit of Endowments).

Policies and Procedures
We have identified issues across our 2022/23 audits with policies and procedures; these not existing, being out of date, not aligned with national guidance, in draft and/or not being fully reflective of current practice. This issue was also noted as a key theme in 2021/22, and management have highlighted strategic, live work on policy management and oversight as being crucial to ongoing development and improvement in relation to this theme.

Communication, Training and Staff Engagement
Communication, training and staff engagement issues (in Job Planning, Recruitment, Payment Protection, Endowments, Out of Area Referrals and Workforce Planning audits) impair clarity over roles and responsibilities, the ability to comply with policies and procedures, and impact on the timeliness of actions being taken and audit trails being maintained locally.

Capacity
Resourcing issues were identified as a root cause for non-compliance in Recruitment, Endowments, Adult Social Care Invoicing, Out of Area Referrals and Workforce Planning audits. Given the current context this is likely to be a continuing (and potentially increasing) risk to NHS Highland, with more work required to appraise and best respond to this – management are well sighted on some of the particular areas of pressure, with ongoing efforts to tackle these within the challenging operating context. 8 NHS Highland Internal Audit Annual Report 2022/23 azets.co.uk

Cost Benefit
We noted processes and decisions which would benefit from a clear cost benefit analysis to ensure that risks associated with the change are managed (in Out of Area Referrals and Endowments audits)."

The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year. The strength of this is that NHS Highland is already addressing these risks, has plans in place and is addressing key actions at pace. One of the key areas highlighted as an ongoing

theme is outdated policies. Work has commenced in this area to identify key policies; updating policies and a roll-out of training for the awareness of these policies will follow. We are strengthening our risk management systems, engaging with our Board and sub-committees to test our risk environment. In addition, work continues with our workforce planning, which is a key risk in all Health and Care organisations, embedding and continually improving our decision-making processes. Having assessed the high risk areas identified by the internal audit reports, it is recognised that there are these are internal risks to the operation, but that this needs to be balanced against the materiality of impact to the organisation should the risk materialise which reflects the areas of improvement being focussed on.

The Internal Audit report also highlights that:

"This reflects the cross-cutting themes across a number of our audit reviews, requiring improvement in a range of areas and not just in isolated area(s). This is also broadly in line with prior period, and reflects the revised opinion wording used by Azets for 2022/23 onwards for such a range and nature of audit issues/themes. These issues have precluded the more positive "reasonable assurance" opinion."

There has also been a significant improvement in addressing issues raise by previous audits and all historic management actions have now been closed with management progressing new actions within the agreed timescales. This gives assurance that as issues are being identified, they are being address and thus strengthening the control environment. There is recognition that it will take some time for new systems to be updated and embedded and the impact of the work being identified through the audits.

The systems have been in place for the year under review and up to the date of the approval of the annual report and accounts.

On an annual basis we receive external assurances in respect of Payments to Primary Care Practitioners, National IT Services, and the Finance Ledger Systems. For the year 22/23 these reports offered reasonable assurance over the controls.

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

Due to the range of assurance given and the nature of the internal audit reviews I am able to conclude that taking account of the above statement and the assurances received from the Board's Committees that corporate governance was operating effectively throughout the financial year to 31st March 2023.

Signed: 

Chief Executive and Accountable Officer.

24 July 2023

REMUNERATION REPORT AND STAFF REPORT

Board members' and senior employees' remuneration

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

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

Ann Clark, Remuneration Committee Chair and Board Vice Chair
Prof. Boyd Robertson, Board Chair
Elspeth Caithness, Employee Director
Gerry O'Brien, Non-Executive Director
Bert Donald, Non-Executive Director

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

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

Highland Health Board

Remuneration Report for the year ended 31 March 2023 (audited)							
	Note	Gross Salary (Bands of £5,000)	Bonus payments (Bands of £5,000)	Benefits in Kind (£'000 to nearest £100)	Total Earnings in Year (Bands of £5,000)	Pension benefits (£'000)	Total Remuneration (Bands of £5,000)
Executive Members							
Pam Dudek - Chief Executive		145-150		6.5	155-160	Nil	165-170
Heidi May - Nursing Director to 31/10/22	a	70-75	0	0	70-75	Nil	70-75
Boyd Peters - Medical Director:		175-180	0	0	175-180	65-70	240-245
David Garden - Director of Finance until 30/6/22	b	35-40	0	0	35-40	Nil	35-40
Tim Allison - Director of Public Health & Health		140-145		0	140-145	35-40	180-185
Heledd Cooper -Director of Finance from 8/8/22	c	70-75		0	70-75	20-25	90-95
Kate patience Quate - Interim Board Nurse Director from 1 November 2022 to 31 January 2023	d	25-30		0	25-30	Nil	25-30
Louise Bussell - Interim Chief officer on Secondment from 5 October 2020 (Internal secondment) - 31/1/23 then Board Nurse Director from 1 February 2023	e	110-115	0	0	110-115	30-35	140-145
Non Executive Members							
Prof Boyd Robertson - The Chair		30-35		0	30-35	0	30-35
Gaener Rodger		10-15		0	10-15	0	10-15
Sarah Compton-Bishop		10-15		0	10-15	0	10-15
Alasdair Christie		10-15		0	10-15	0	10-15
Deirdre Mackay - Highland Council Stakeholder Member until 5 May 2022	f	0-5		0	0-5	0	0-5
Pamela Clark (known as Ann)		15-20		0	15-20	0	15-20
Jean Boardman		5-10		0	5-10	0	5-10
Alexander Anderson		10-15		0	10-15	0	10-15
(Al)Bert Donald		5-10		0	5-10	0	5-10
Philip Macrae		5-10		0	5-10	0	5-10
Graham Hardie - Argyll and Bute Council Stakeholder Member until 5 May 2022	g	0-5		0	0-5	0	0-5
Gerard O'Brien		10-15		0	10-15	0	10-15
Graham Bell		5-10		0	5-10	0	5-10
Susan Ringwood		5-10		0	5-10	0	5-10
Joanne McCoy		5-10		0	5-10	0	5-10
Elspeth Caithness		5-10		0	5-10	0	5-10
Elspeth Caithness	h	35-40		0	35-40	0	35-40
Catriona Sinclair		5-10		0	5-10	0	5-10
Muriel Cockburn - The Highland Council Stakeholder member from 14 June 2022	i	5-10		0	5-10	0	5-10
Garret Corner - Argyll and Bute Council Stakeholder member from 30 May 2022	j	5-10		0	5-10	0	5-10
Senior Employees							
Fiona Hogg - Director of Human Resources		110-115		0	110-115	30-35	145-150
Deb Jones - Director of Strategic Commissioning, Planning & Performance		130-135		0	130-135	Nil	130-135
David Park - Deputy Chief Officer:		130-135		0	130-135	35-40	165-170
Katherine Sutton - Chief Operating Officer Acute		110-115		0	110-115	Nil	110-115
Alan Wilson - Director of Estates		100-105		0	100-105	Nil	100-105
Fiona Davies - Chief officer IJB		100-105		2.9	105-110	0-5	105-110
Pamela Cremin - secondment from Grampian WEF 1/2/23	k	15-20		0	15-20	115-120	130-135
George Morrison to 31st May 22	l	15-20		0	15-20	Nil	15-20
Notes							
The value of pension benefits accrued during the year is calculated as: the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual							
a. The gross salary for Heidi May is for the period shown, the full year effect salary is in the range of 120-125							
b. The gross salary for David Garden is for the period shown, the full year effect salary is in the range of 105-110							
c. The gross salary for Heledd Cooper is for the period shown, the full year effect salary is in the range of 110-115							
d. The gross salary for Kate patience Quate is for period shown, the full year effect is 125-130							
e. The gross salary for Louise Bussell Includes Interim Chief officer. The full year Board Nurse director gross salary is in the range 115-120							
f. The gross salary for Deirdre Mackay is for period shown, the full year effect is 5-10							
g. The gross salary for Graham Hardie is for period shown, the full year effect is 5-10							
h The gross salary for Elspeth Caithness includes full time salary in range 35-40 for Employee director role.							
i. The gross salary for Muriel Cockburn is for period shown, the full year effect is 5-10							
j. The gross salary for Garret Corner is for period shown, the full year effect is 5-10							
k. The gross salary for Pamela Cremin is for period shown, the full year effect is 120-125							
l. George Morrison - IJB Deputy Chief officer to 31st May 2023							
Non executive directors pay is non pensionable							

Remuneration Report for the year ended 31 March 2023 (audited)							
	Accrued pension at pensionable age as at 31 Mar 23 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 23 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 22 £000	Real increase in CETV in year £000
Executive Members							
Pam Dudek - Chief Executive	50-55	150-155	Nil	Nil	1,215	1,276	Nil
Heidi May - Nursing Director to 31/10/22	25-27	75-80	Nil	Nil	630	659	Nil
Boyd Peters - Medical Director:	75-80	180-185	2.5-5	2.5-5	1,695	1,588	107
David Garden - Director of Finance until 30/6/22	40-45	125-130	Nil	Nil	962	1014	Nil
Tim Allison - Director of Public Health & Health	5-10	0	2.5-5	0	111	68	43
Heledd Cooper -Director of Finance from 8/8/22	0-5	0	0-2.5	0	17	0	17
Kate patience Quate - Interim Board Nurse Director from 1 November 2022 to 31 January 2023	40-45	115-120	0-2.5	NIL	851	843	7
Louise Bussell - Interim Chief officer on Secondment from 5 October 2020 (Internal secondment) - 31/1/23 then Board Nurse Director from 1 February 2023	05-Oct	0	0-2.5	0	74	45	29
Non Executive Members							
Prof Boyd Robertson - The Chair							
Gaener Rodger							
Sarah Compton-Bishop							
Alasdair Christie							
Deirdre Mackay - Highland Council Stakeholder Member until 5 May 2022							
Pamela Clark (known as Ann)							
Jean Boardman							
Alexander Anderson							
(Al)Bert Donald							
Philip Macrae							
Graham Hardie - Argyll and Bute Council Stakeholder Member until 5 May 2022							
Gerard O'Brien							
Graham Bell							
Susan Ringwood							
Joanne McCoy							
Elspeth Caithness							
Elspeth Caithness	15-20	50-55	0-2.5	NIL	395	390	4
Catriona Sinclair							
Muriel Cockburn - The Highland Council Stakeholder member from 14 June 2022							
Garret Corner - Argyll and Bute Council Stakeholder member from 30 May 2022							
Senior Employees							
Fiona Hogg - Director of Human Resources	5-10	0	0-2.5	0	100	71	29
Deb Jones - Director of Strategic Commissioning, Planning & Performance	65-70	125-130	Nil	Nil	1,355	1,364	Nil
David Park - Deputy Chief Officer:	15-20	0	2.5-5	0	221	179	42
Katherine Sutton - Chief Operating Officer Acute	45-50	95-100	0-2.5	Nil	982	974	8
Alan Wilson - Director of Estates	40-45	40-45	0	0	599	592	7
Fiona Davies - Chief officer IJB	35-40	75-80	0-2.5	nil	594	580	14
Pamela Cremin - secondment from Grampian WEF 1/2/23	35-40	110-115	5-7.5	10-12.5	855	727	128
George Morrison to 31st May 22	45-50	135-140	NIL	NIL	1,108	1,185	NIL

Remuneration Report for the year ended 31 March 2022 (audited)

	Note	Gross Salary (Bands of £5,000)	Benefits in Kind (£'000 to nearest £100)	Total Earnings in Year (Bands of £5,000)	Pension benefits (£'000)	Total Remuneration (Bands of £5,000)
Executive Members						
Chief Executive: Pam Dudek		145-150	6.3	150-155	112	265-270
Nursing Director: Heidi May		110-115		110-115	38	150-155
Medical Director: Boyd Peters		170-175		170-175	94	265-270
Director of Finance: David Garden		100-105		100-105	43	145-150
Director of Public Health & Health Policy: Tim Allison		135-140		135-140	33	165-170
Non Executive Members						
The Chair: Prof Boyd Robertson		25-30		25-30		25-30
Adam Palmer - until 30 September 2021	a	40-45		40-45	4	45-50
Gaener Rodger		10-15		10-15		10-15
Sarah Compton-Bishop		10-15		10-15		10-15
James Brander - until 27 November 2021	b	5-10		5-10		5-10
Alasdair Christie		10-15		10-15		10-15
Deirdre Mackay		5-10		5-10		5-10
Pamela Clark (known as Ann)		15-20		15-20		15-20
Jean Boardman		5-10		5-10		5-10
Alexander Anderson		10-15		10-15		10-15
(Al)Bert Donald		5-10		5-10		5-10
Philip Macrae		5-10		5-10		5-10
Margaret Moss - until 6 September 2021.	c	35-40		35-40	90	125-130
Graham Hardie		5-10		5-10		5-10
Gerard O'Brien		5-10		5-10		5-10
Graham Bell		5-10		5-10		5-10
Susan Ringwood		5-10		5-10		5-10
Joanne McCoy - appointed 29 November 2021	d	0-5		0-5		0-5
Elspeth Caithness - appointed to the Board 1 October	e	40-45		40-45	8	45-50
Catriona Sinclair - Appointed 5 January 2022	f	0-5		0-5		0-5
Senior Employees						
Chief Officer: Louise Bussell		100-105		100-105	27	125-130
Director of Human Resources: Fiona Hogg		110-115		110-115	29	140-145
Director of Strategic Commissioning, Planning & Performan		125-130		125-130	35	160-165
Deputy Chief Officer: David Park		125-130		125-130	34	160-165
Chief Operating Officer Acute: Katherine Sutton		105-110		105-110	48	155-160
Director of Estates: Alan Wilson		95-100		95-100	60	155-160
Fiona Davies - Chief officer IJB appointed 1/5/21	g	95-100	2.8	100-105	65	165-170
George Morrison - IJB Acting Chief officer 1/4/21-3/5/21, Depiuty Chief officer 1/7/21-9/8/21	h	85-90		85-90	46	135-140

Notes

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

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

b. The gross salary for James Brander is for the period shown, the full year effect salary is in the range of 5-10

c. The gross salary for Margaret Moss as Area Clinical Forum Chair for period shown and includes her full time role as Lead AHP, the full year effect is in the salary range 45-50.

d. The gross salary for Joanne McCoy Non Executive Director is for period shown, the full year effect is 5-10

e The gross salary for Elspeth Caithness includes full time salary in range 35-40 for Employee director role. The full year effrect of salary is in range 45-50

f. The gross salary for Catriona Sinclair Area Clinical Forum Chair, the full year effect salary is in the range of 5-10

g. The gross salary for Fiona Davies Chief officer IJB is for period shown, the full year effect is in the salary range 100-105

h. George Morrison - IJB Acting Chief officer 1/4/21-3/5/21, Deputy Chief officer 1/7/21-9/8/21

Non executive directors pay is non pensionable

Remuneration Report for the year ended 31 March 2022 (audited)							
	Accrued pension at pensionable age as at 31 Mar 22 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 22 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 21 £000	Real increase in CETV in year £000
Executive Members							
Chief Executive: Pam Dudek	50-55	110-115	5-7.5	7.5-10	1,044	910	133
Nursing Director: Heidi May	25-30	40-45	2.5-5	0-2.5	491	441	49
Medical Director: Boyd Peters	65-70	160-165	5-7.5	5-7.5	1,442	1,315	127
Director of Finance: David Garden	35-40	65-70	2.5-5	0-2.5	664	609	55
Director of Public Health & Health Policy: Tim Allison	0-5	n/a	2.5-5	n/a	61	25	37
Non Executive Members							
The Chair: Prof Boyd Robertson							
Adam Palmer - until 30 September 2021	15-20	50-55	0-2.5	0-2.5	442	425	17
Gaener Rodger							
Sarah Compton-Bishop							
James Brander - until 27 November 2021							
Alasdair Christie							
Deirdre Mackay							
Pamela Clark (known as Ann)							
Jean Boardman							
Alexander Anderson							
(Al)Bert Donald							
Philip Macrae							
Margaret Moss - until 6 September 2021.	30-35	90-95	2.5-5	7.5-10	754	646	108
Graham Hardie							
Gerard O'Brien							
Graham Bell							
Susan Ringwood							
Joanne McCoy - appointed 29 November 2021							
Elspeth Caithness - appointed to the Board 1 October	15-20	45-50	0-2.5	0-2.5	351	334	17
Catriona Sinclair - Appointed 5 January 2022							
Senior Employees							
Chief Officer: Louise Bussell	0-5	n/a	0-2.5	n/a	41	16	25
Director of Human Resources: Fiona Hogg	5-10	n/a	0-2.5	n/a	64	39	26
Director of Strategic Commissioning, Planning & Perf	55-60	120-125	2.5-5	n/a	1,201	1,136	65
Deputy Chief Officer: David Park	10-15	n/a	2.5-5	n/a	163	126	37
Chief Operating Officer Acute: Katherine Sutton	40-45	90-95	2.5-5	0-2.5	855	789	66
Director of Estates: Alan Wilson	35-40	n/a	2.5-5	n/a	502	446	56
Fiona Davies - Chief officer IJB appointed 1/5/21	20-25	55-60	2.5-5	5-7.5	412	352	60
George Morrison - IJB Acting Chief officer 1/4/21-3/5/21, Depiuty Chief officer 1/7/21-9/8/21	45-50	125-130	2.5-5	2.5-5	1,071	1,000	72

Fair Pay disclosure (Audited)

Subject to Audit	2023 (£000's)		2022 (£000's)		% Change
Range of staff remuneration	5,000-300,000		5,000-300,000		0
Highest earning Director's total remuneration (£000s)	178		173		3.5%
Median (total pay & benefits)	35		33		6.1%
Median (salary only)	35		33		6.1%
Ratio	5.12		5.28		-3.0%
25th Percentile (total pay & benefits)	28		26		7.7%
25th Percentile (salary only)	28		26		7.7%
Ratio	6.40		6.70		-4.5%
75th Percentile Pay (total pay & benefits)	45		42		7.1%
75th Percentile Pay (salary only)	44		42		4.8%
Ratio	3.99		4.09		-2.4%

The increase in the percentiles is due to nationally agreed pay awards, including incremental rises in 22/23. The ratios have decreased due to reduced level of highest paid director's total remuneration.

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

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

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

Number of senior staff by band

Employees whose remuneration fell within the following ranges:

	2023	2022
Clinicians	**Number of Staff**	**Number of Staff**
£70,001 - £80,000	81	74
£80,001 - £90,000	57	59
£90,001 - £100,000	45	48
£100,001 - £110,000	47	48
£110,001 - £120,000	49	45
£120,001 - £130,000	45	39
£130,001 - £140,000	45	30
£140,001 - £150,000	19	21
£150,001 - £160,000	24	25
£160,001 - £170,000	18	16
£170,001 - £180,000	16	14
£180,001 - £190,000	3	5
£190,001 - £200,000	2	2
£200,001 and above	22	10

Highland Health Board

	2023	2022
Other	**Number of Staff**	**Number of Staff**
£70,001 - £80,000	24	14
£80,001 - £90,000	10	14
£90,001 - £100,000	13	7
£100,001 -£110,000	6	4
£110,001 - £120,000		3
£120,001 - £130,000		2
£130,001 - £140,000	2	0
£140,001 - £150,000	1	1
£150,001 - £160,000		0
£160,001 - £170,000		0
£170,001 - £180,000		0
£180,001 - £190,000		0
£190,001 - £200,000		0
£200,001 and above		0

STAFF NUMBERS AND COSTS (audited)

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2023 Total £000	2022 Total £000
STAFF COSTS								
Salaries and wages	766	197	394,958			(1,605)	**394,316**	**362,600**
Social security costs	104	7	41,337			(211)	**41,237**	**35,833**
NHS scheme employers' costs	148		71,440			(304)	**71,284**	**65,734**
Other employers pension costs			6,662				**6,662**	**5,607**
Inward secondees				613			**613**	**415**
Agency staff					37,199		**37,199**	**20,551**
TOTAL	**1,018**	**204**	**514,397**	**613**	**37,199**	**(2,120)**	**551,311**	**490,740**

Employee expenditure as above		551,311
Employee income included in Note 4 and IAS19 costs excluded from above (note 19)		2,120
Total employee expenditure disclosed in note 3		553,431

THC Pension fund costs have been reclassified to staff costs in 2022, shown under other employers pension costs above. Prior year comparative has not been adjusted as not material.

STAFF NUMBERS (audited)

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2023 Total	2022 Total
Whole time equivalent (WTE)	5	17	9,420	11	50	(34)	**9,469**	**9,179**

*other staff includes medical locums for which there is no WTE calculation.

Included in the total staff numbers above were disabled staff of:	**109**	**111**

STAFF COMPOSITION (information not subject to audit)

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

	2022			2023		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Directors	3	2	**5**	2	3	**5**
Non Executive Directors and Employee Director	8	9	**17**	8	9	**17**
Senior Employees	264	217	**481**	289	244	**533**
Other	2,412	13,869	**16,281**	2,487	13,940	**16,427**
Total Headcount	**2,687**	**14,097**	**16,784**	**2,786**	**14,196**	**16,982**

SICKNESS ABSENCE (information not subject to audit)

	2022	2023
Sickness Absence Rate	5.3%	5.8%

EMPLOYMENT OF DISABLED PERSONS (information not subject to audit)

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

1. For giving full and fair consideration to applications for employment by the Board made by disabled persons, having a regard to their particular aptitudes and abilities;

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

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

2. For continuing the employment of, and for arranging appropriate training for, employees of the Board who have become disabled persons during the period when they were employed by the Board;

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

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

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

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

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

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

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

EXIT PACKAGES – current year – (audited)

No Exit packages in 22/23

	2023			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Cost of exit packages (£000)**
<£10,000	0	0	0	0
£10,000 - £25,000	0	0	0	0
£25,000 - £50,000	0	0	0	0
£50,000 - £100,000	0	0	0	0
Total number of exit packages by type	**0**	**0**	**0**	
Total resource cost (£000)	**0**	**0**		**0**

EXIT PACKAGES – prior year	2022			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Cost of exit packages (£000)**
<£10,000				
£10,000 - £25,000		1	1	11
£25,000 - £50,000				
£50,000 - £100,000				
Total number of exit packages by type		**1**	**1**	
Total resource cost (£000)		**11**		**11**

TRADE UNION DISCLOSURE – information not subject to audit

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time

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

Number of employees who were relevant union officials during the fiscal year to March 2023	7
WTE employee number	5.48
Percentage of time	**Number of Representatives**
0%	
1-50%	
51%-99%	
100%	7
Total Cost of facility time	282,641
Total Pay Bill	553,431,836
Percentage Pay Bill on facility time and union duties	0.05%

PARLIAMENTARY ACCOUNTABILITY REPORT – Subject to Audit

Losses and Special Payments

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

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

	No. of cases	**£000**
Losses	271	2,992

There were three claims individually greater than £300,000 settled under the CNORIS scheme in 2022/23 and one in 2021/22. Further details on the scheme can be found in note 1 (accounting policies) of the annual accounts.

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

Signed:

Chief Executive and Accountable Officer.

24 July 2023

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

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Highland Health Board and its group for the year ended 31 March 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated and Board Statement of Financial Position, the Statement of Consolidated Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity and Notes to the Accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group as at 31 March 2023 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. 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 ability of the board and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Responsibilities of the Accountable Officer for the financial statements
As explained more fully in the Statement of the Chief Executive's Responsibilities as 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 there is an intention to discontinue the board's operations.

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

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

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

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

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

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

Reporting on regularity of expenditure and income

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

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

Reporting on other requirements

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

Other information
The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration Report and Staff Report.
My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Claire Gardiner CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

24 July 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2023

2022 £000		Note	2023 £000
492,584	Staff Costs	3a	553,431
	Other operating expenditure	3b	
111,321	Independent Primary Care Services		107,190
154,052	Drug and medical supplies		148,906
645,956	Other health care expenditure		671,486
1,403,913	Gross expenditure for the year		**1,481,013**
(428,305)	Less: operating income	4	(475,996)
(7,332)	Associates and joint venture accounted for on an equity basis	26a	2,130
968,276	**Net Expenditure for the year**		**1,007,147**
	OTHER COMPREHENSIVE NET EXPENDITURE		
(23,430)	Net (gain)/loss on revaluation of property, plant and equipment		(14,237)
(10,674)	Actuarial Change in Local Government Pension	19	(34,289)
(34,104)	**Other comprehensive expenditure**		(48,526)
934,172	**Comprehensive net expenditure**		**958,621**

The Notes to the Accounts, numbered 1 to 26, form an integral part of these Accounts.

CONSOLIDATED and BOARD STATEMENT OF FINANCIAL POSITION as at 31 March 2023

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		Non-current assets:			
461,718	461,718	Property, plant and equipment	7	477,994	477,994
1,736	1,736	Intangible assets	6a	2,262	2,262
		Right of Use Assets	17a	68,045	68,045
		Financial assets:			
8,696	102	Investments	10	8,297	101
10,625	0	Investments in associated and joint ventures		8,495	0
26,978	26,978	Trade and other receivables	9	58,030	58,030
509,753	**490,534**	**Total non-current assets**		**623,123**	**606,432**
		Current Assets:			
7,236	7,236	Inventories	8	8,023	8,023
		Financial assets:			
45,377	45,488	Trade and other receivables	9	53,837	54,183
935	15	Cash and cash equivalents	11	1,291	136
53,548	**52,739**	**Total current assets**		**63,151**	**62,342**
563,301	**543,273**	**Total assets**		**686,274**	**668,774**
		Current liabilities:			
(14,595)	(14,595)	Provisions	13a	(15,331)	(15,331)
		Financial liabilities:			
(149,214)	(149,195)	Trade and other payables	12	(143,230)	(143,210)
(163,809)	**(163,790)**	**Total current liabilities**		**(158,561)**	**(158,541)**
399,492	**379,483**	**Non-current assets plus/less net current assets/liabilities**		**527,713**	**510,233**
		Non-current liabilities			
(45,428)	(45,428)	Provisions	13a	(42,510)	(42,510)
		Financial liabilities:			
(27,732)	(27,732)	Trade and other payables	12	(44,084)	(44,084)
(73,160)	**(73,160)**	**Total non-current liabilities**		**(86,594)**	**(86,594)**
326,332	**306,323**	**Assets Less liabilities**		**441,119**	**423,639**
		Taxpayers' Equity			
145,438	145,438	General fund	SoCTE	209,755	209,755
118,734	118,734	Revaluation reserve	SoCTE	130,782	130,782
42,151	42,151	Other reserves	SoCTE	83,102	83,102
10,625	0	Other reserves – associated and joint ventures	SoCTE	8,495	
9,384	0	Fund held on trust	SoCTE	8,985	0
326,332	**306,323**	**Total taxpayers' equity**		**441,119**	**423,639**

The Notes to the Accounts, numbered 1 to 26, form an integral part of these Accounts.

The financial statements were approved by the Board on 24th July 2023 and signed on their behalf by:

Heledd Cooper
…….. Director of Finance

…….. Chief Executive and Accountable Officer

STATEMENT OF CONSOLIDATED CASH FLOWS
for the year ended 31 March 2023

2022 £000		Note	2023 £000	2023 £000
	Cash flows from operating activities			
(968,276)	Net operating cost	SoCTE	(1,007,147)	
30,223	Adjustments for non-cash transactions	2b	78,549	
2,465	Add back: interest payable recognised in net operating cost	2b	4,306	
(11)	Deduct: interest receivable recognised in net operating cost	4	(6)	
(8,932)	Movements in working capital	2b	(46,093)	
(944,531)	**Net cash outflow from operating activities**	26c		**(970,391)**
	Cash flows from investing activities			
(54,879)	Purchase of property, plant and equipment		(38,853)	
(672)	Purchase of intangible assets		(1,145)	
(119)	Investment Additions	10	(607)	
139	Proceeds of disposal of property, plant and equipment		181	
174	Receipts from sale of investments		773	
11	Interest received	2b	6	
(55,346)	**Net cash outflow from investing activities**	26c		**(39,645)**
	Cash flows from financing activities			
1,004,819	Funding		1,023,258	
(88)	Movement in general fund working capital	SoCTE	0	
1,004,731	Cash drawn down	SoCTE	1,023,258	
(2,196)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	(2,416)	
(229)	Capital element of payments in respect of leases		(169)	
0	IFRS 16 - 2022/23 cash lease payment		(5,975)	
(333)	Interest paid		(2,161)	
(2,132)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,145)	
999,841	**Net Financing**	26c		**1,010,392**
(36)	**Net Increase/(decrease) in cash and cash equivalents in the period**			356
971	**Cash and cash equivalents at the beginning of the period**			935
935	**Cash and cash equivalents at the end of the period**			**1,291**
	Reconciliation of net cash flow to movement in net debt/cash			
(36)	Increase/(decrease) in cash in year	11		356
971	Net cash at 1 April			935
935	**Net cash at 31 March**			**1,291**

The Notes to the Accounts, numbered 1 to 26, form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2023

	Note	General Fund	Revaluation Reserve	Other Reserve	Other Reserve – associated with joint ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2022		**145,438**	**118,734**	**42,151**	**10,625**	**9,384**	**326,332**
Changes in taxpayers' equity for 2022/23							
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		14,237				14,237
Net gain/(loss) on revaluation of investments	10		0			(232)	(232)
Net gain/(loss) on revaluation/indexation of Right-of-Use assets			39				39
Impairment of property, plant and equipment			(7,931)				(7,931)
Revaluation & impairments taken to operating costs	2b		7,931				7,931
Transfers between reserves		2,228	(2,228)				0
Other non-cash costs Peppercorn transition THC ASC Pension)	2b	43,681		40,951			84,632
Net operating cost for the year	CFS	(1,004,850)			(2,130)	(167)	(1,007,147)
Total recognised income and expense for 2022/23		(958,941)	12,048	40,951	(2,130)	(399)	(908,471)
Funding:							
Drawn down	CFS	1,023,258					1,023,258
Movement in General Fund (Creditor)	CFS	0					0
Balance at 31 March 2023	SoFP	**209,755**	**130,782**	**83,102**	**8,495**	**8,985**	**441,119**

The Notes to the Accounts, numbered 1 to 26, form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

	Note	General Fund	Revaluation Reserve	Other Reserve	Other Reserve – associated with joint ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2021		**116,048**	**97,455**	**25,870**	**3,293**	**9,162**	**251,828**
Changes in taxpayers' equity for 2021/22							
Net gain/(loss) on revaluation / indexation of property, plant and equipment	7a		23,430				23,430
Net gain/(loss) on revaluation of available for sale financial assets	10					257	257
Impairment of property, plant and equipment			(6,523)				(6,523)
Revaluation & impairments taken to operating costs	2a		6,523				6,523
Transfers between reserves		2,151	(2,151)				0
Other non cash costs (Peppercorn Transition / movement in year ASC pension costs)		(2,007)		16,281			14,274
Net operating cost for the year	CFS	(975,573)			7,332	(35)	(968,276)
Total recognised income and expense for 2021/22		(975,429)	21,279	16,281	7,332	222	(930,315)
Funding:							
Drawn down	CFS	1,004,731					1,004,731
Movement in General Fund (Creditor)	CFS	88					88
Balance at 31 March 2022	SoFP	**145,438**	**118,734**	**42,151**	**10,625**	**9,384**	**326,332**

The Notes to the Accounts, numbered 1 to 26, form an integral part of these Accounts.

ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the United Kingdom, 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 30 below.

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

IFRS16 is the new standard which has been issued and adopted for the year 2022/23

b) Standards, amendments and interpretation early adopted this year

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

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

Standard	Current status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. Not appliable to NHS Scotland bodies.
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021. However this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025.

2. Basis of Consolidation

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

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

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

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

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

In line with statutory guidance issued by the Integrated Resources Advisory Group (IRAG) IJBs are deemed to be joint ventures. In accordance with IFRS 11 Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the Board's interest in IJBs using the equity method of accounting.

Note 26 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Retrospective restatements

There are no retrospective restatements to disclose.

4. Going Concern

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

5. Accounting Convention

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

6. Funding and Revenue Recognition

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

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

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

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

Non-discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific Family Health Services (comprised of General Pharmaceutical Services, General Medical Services, General Dental Services and General Ophthalmic Services as designated by the Scottish Government). Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn (SoRO).

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

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year and have a cost equal to, or greater than, £5,000.
2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total (including VAT where this is not recoverable) or where they are part of the initial costs of equipping a new development and total over £20,000 (Including VAT where this not recoverable).

7.2 Measurement

Valuation:
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.
Thereafter, valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and are adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual (Red Book) insofar as these terms are consistent with the agreed requirements of the Scottish Government.
In general, operational assets which are in use delivering front line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual are adopted:

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

All assets that are not held for their service potential (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 as agreed by the District valuer.
- Non specialised land and buildings, such as offices, are stated at fair value.

Surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset.

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

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

Revaluations and Impairment:
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together. Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.
Permanent decreases in asset values and impairments arising from a reduction in service potential or consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.
Temporary decreases in asset values or impairments arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

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

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

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

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

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

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

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

6) Lease Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty the Board will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets

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

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Board intends to complete the asset and sell or use it;
- the Board has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Board to complete the development and sell or use the asset; and
- the Board can measure reliably the expenses attributable to the asset during development.

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

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

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

Carbon Emissions (Intangible Assets)
Participation in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme gives rise to an asset for purchased allowances held and a liability for the obligation to deliver allowances to the CRC registry equal to emissions made.

Intangible Assets, such as CRC emission allowances which are intended to be held for use on a continuing basis whether allocated by government or purchased are classified as intangible assets and are initially measured at cost, with subsequent revaluation at fair value. Until there is evidence of an active market, CRC scheme assets shall be measured at cost as a proxy for fair value

When allowances are issued for less than their fair value, the difference between the amount paid and fair value is classed as revaluation and charged to the general fund. The general fund is charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

A provision is recognised for the obligation to deliver allowances equal to emissions that have been made. It is measured at the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. This will usually be the present market price of the number of allowances required to cover emissions made up to the Statement of Financial Position date.

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

8.2 Measurement

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

Subsequently intangible assets that are not held for their service potential (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.

Revaluation and impairment:
Increases in asset values arising from revaluations are recognised in the revaluation reserve except where, and to the extent that, they reverse an impairment previously recognised in the Consolidated SOCNE, 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.

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

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

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

8.3 Amortisation

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

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

1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
2) Software. Amortised over their expected useful life.
3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
4) Other intangible assets. Amortised over their expected useful life.
5) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

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

9. Non-current assets held for sale

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

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable 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/amortisation ceases to be charged and the

assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

10. Donated Assets

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

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 Consolidated SOCNE. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

12. Leasing

Accounting Policies

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

Leases

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

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

The following are excluded:

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

Initial recognition
At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any

payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

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

Lease expenditure

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

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-2 reflect the requirements of IAS 17;

- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;

- For leases previously treated as operating leases:
  - To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury;
  - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
  - To exclude leases whose term ends within twelve months of first adoption;
  - To use hindsight in assessing remaining lease terms;
  - For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision.

- For leases previously treated as finance leases:
  - To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption.

- The 2023/24 FReM has been amended to require reporting entities to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023/24. The 2022/23 FReM has not been amended to clarify that this specific aspect of IFRS 16 has been deferred until 2023/24 and therefore does not apply in 2022/23. Where entities have in the past applied the principles of IAS 17 to account for the impact of changes in the relevant indices (e.g. CPI or RPI) in respect of on-balance sheet PPP/PFI contracts with index-linked payments, the application of IFRS 16 requirements is deferred to 1 April 2023.

Estimates and judgements

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

Accounting for leases under IAS 17 (2021/22)

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

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

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

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.

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 an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the Consolidated SOCNE 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.

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

16. Losses and Special Payments

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

17. Employee Benefits

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

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

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

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

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

the cost of these retirement benefits in the Consolidated SOCNE when they are earned by these employees, rather than when the benefits are eventually paid as pensions. Highland Council recognises the liability at 01/04/2012 attributable to these NHS Highland staff in the THC accounts. Any gain or shortfall in the value of the fund attributable to NHS Highland staff in year is charged to the Consolidated SOCNE.

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 Highland provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from CNORIS in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

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

19. Related Party Transactions

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

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 non current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. PFI/HUB/NPD Schemes

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

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

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' (SoFP) by the Board. The underlying

assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams, this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

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

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

22. Provisions

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

23. Contingencies

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

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

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Business model

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.

(b) Financial assets held at amortised cost

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

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

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

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

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

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

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

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

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

(a) Financial assets 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.

(b) Financial assets held at amortised cost

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

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

Financial Liabilities

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

i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
ii. they contain embedded derivatives; and/or
iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

a) Financial liabilities at fair value through profit or loss

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

(b) Financial liabilities held at amortised cost

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

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

A financial liability is removed from the SoFP when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(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.

26. Segmental reporting

Operating segments are reported in Note 5 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.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

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

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

29. 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 25 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual. In addition, where third party monies have been held in a public bank account, commentary is provided in Note 11.

30. Key sources of judgement and estimation uncertainty

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

The key judgements exercised in the application of the Board's accounting policies which have the most significant effect on the carrying amounts in the financial statements are summarised below:

Judgements

Assessment of Leases

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

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

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

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

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

See Note 19 for detailed information on this liability.

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

Estimates

Property Plant and Equipment

The Board commissioned a valuation for 31 March 2023.

The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has exercised professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Highland as at 31 March 2023. See Note 7 for analysis.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

2a SUMMARY OF CORE RESOURCE OUTTURN for the year ended 31 March 2023

	Note	2023 £000
Net Expenditure	SoCNE	**1,007,147**
Total Non Core Expenditure (see below)		(45,430)
Family Health Services Non-Discretionary Allocation		(39,489)
Endowment Net Expenditure		(167)
Associates and joint ventures accounted for on an equity basis		(2,130)
Total Core Expenditure		**919,931**
Core Revenue Resource Limit		920,314
Saving/(excess) against Core Revenue Resource Limit		**383**
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN		
Capital Grants to Other Bodies		(292)
Depreciation/Amortisation		19,864
Annually Managed Expenditure - Impairments		7,931
Annually Managed Expenditure – Provisions		1,698
Annually Managed Expenditure – Depreciation of Donated Assets	7a	147
Annually Managed Expenditure – Pension Valuation		6,662
Additional Scottish Government non-core funding		1,877
Donated asset income		(31)
IFRS PFI Expenditure		824
Right of Use (RoU) Asset Depreciation		5,686
Right of Use (RoU) Peppercorn Leases Depreciation		1,064
Total Non Core Expenditure		**45,430**
Non Core Revenue Resource Limit		45,430
Saving/(against) Non Core Revenue Resource Limit		

SUMMARY RESOURCE OUTTURN	**Resource**	**Expenditure**	**Saving**
	£000	**£000**	**£000**
Core	920,314	919,931	383
Non Core	45,430	45,430	0
Total	**965,744**	**965,361**	**383**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

STATEMENT OF CONSOLIDATED CASH FLOWS for the year ended 31 March 2023

2b NOTES TO THE CASH FLOW STATEMENT

2b Consolidated adjustments for non-cash transactions

2022 £000		Note	2023 £000
	Expenditure not paid in cash		
15,965	Depreciation	7a	19,937
679	Amortisation	6	619
147	Depreciation of donated assets	7a	147
	Depreciation of Right of Use (RoU) Assets	17b	6,882
6,523	Impairments on PPE charged to SoCNE		7,931
(16)	Funding of donated assets	7a	(31)
(17)	Loss/(profit) on disposal of property, plant and equipment		(17)
(7,332)	Associates and joint ventures accounted for on an equity basis	SoCNE	2,130
16,281	THC ASC Pension movements		40,951
(2,007)	£500 pass through COVID payments to ASC providers staff & DOH Equipment (donated)		0
30,223	**Total expenditure not paid in cash**	CFS	**78,549**

2c Interest payable recognised in operating expenditure

2022 £000			2023 £000
	Interest Payable		
1,981	PFI Finance lease charges allocated in the year	18	1,776
151	Other Finance lease charges allocated in the year		369
333	Provisions – Unwinding of discount		2,161
2,465	**Net interest payable**	CFS	**4,306**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

2 NOTES TO THE CASH FLOW STATEMENT, Contd

2d Consolidated Movements in Working Capital

2022 Net Movement £000		Note	Opening Balances £000	Closing Balances £000	2023 Net Movement £000
	INVENTORIES				
(830)	SoFP	8	7,236	8,023	
(830)	**Net decrease (increase)**				**(787)**
	TRADE AND OTHER RECEIVABLES				
7,251	Due within one year	9	45,377	53,837	
(15,678)	Due after more than one year	9	26,978	58,030	
			72,355	111,867	
(8,427)	**Net decrease/(increase)**				**(39,512)**
	TRADE AND OTHER PAYABLES				
12,784	Due within one year	12	149,214	143,230	
(4,752)	Due after more than one year	12	27,732	44,084	
(9,396)	Less: property, plant & equipment (capital) included in above		(11,459)	(3,443)	
88	Less: General Fund creditor included in above		0	0	
2,425	Less: lease and PFT creditors included in above	12	(26,572)	(48,568)	
			138,915	135,303	
1,149	**Net Increase/(decrease)**				**(3,612)**
	PROVISIONS				
(824)	Statement of Financial Position	13a	60,023	57,841	
			60,023	**57,841**	
(824)	**Net Increase/(decrease)**				**(2,182)**
(8,932)	**Net movement increase/(decrease)**	CFS			**(46,093)**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

3 OPERATING EXPENSES

3a Staff Costs

2022 Consolidated £000			2023 Board £000	2023 Consolidated £000
101,596	Medical and Dental		114,773	114,773
172,550	Nursing		193,515	193,515
218,438	Other Staff		245,143	245,143
492,584	**Total**	SoCNE	**553,431**	**553,431**

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

3b Other Operating Expenditure

2022 Consolidated £000		2023 Board £000	2023 Consolidated £000
	Independent Primary Care Services:		
70,185	General Medical Services	64,527	64,527
16,807	Pharmaceutical Services	17,304	17,304
18,370	General Dental Services	19,475	19,475
5,959	General Ophthalmic Services	5,884	5,884
111,321	**Total**	**107,190**	**107,190**
	Drugs and Medical Supplies:		
67,037	Prescribed drugs Primary Care	70,857	70,857
42,189	Prescribed drugs Secondary Care	47,644	47,644
15,367	PPE and Testing Kits	1,218	1,218
29,459	Medical Supplies	29,187	29,187
154,052	**Total**	**148,906**	**148,906**
	Other Health Care Expenditure:		
269,993	Contribution to Integration Joint Boards	260,462	260,462
105,412	Goods & services from other NHS Scotland bodies	111,469	111,469
549	Goods & services from other UK NHS bodies	335	335
12,064	Goods & services from private providers	14,986	14,986
5,579	Goods & services from voluntary organisations	6,306	6,306
90	Loss on disposal of assets	58	58
251,399	Other operating expenses	276,836	276,836
190	External Auditor's Statutory Audit Fee	225	225
680	Endowment Fund expenditure	0	809
645,956	**Total**	**670,677**	**671,486**
911,329	**Total Other Operating Expenditure**	**926,773**	**927,582**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

Other Operating Expenditure breakdown (2023):

Social Work Healthcare	£128.2m
Other Admin Supplies	£29.6m
Capital Charges	£20.8m
Other Supplies	£18.7m

Other Operating Expenditure breakdown (2022):

Social Work Healthcare	£119m
Other Admin Supplies	£26m
Equipment	£22m
Capital Charges	£17m

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

4 OPERATING INCOME

2022 Consolidated £000		Note	2023 Board £000	2023 Consolidated £000
42	Income from Scottish Government		0	0
36,476	Income from other NHS Scotland bodies		39,332	39,332
2,423	Income from NHS non-Scottish bodies		2,990	2,990
8	Income from private patients		20	20
239,365	Income for services commissioned by Integration Joint Board		252,943	252,943
2,281	Patient charges for primary care		2,907	2,907
10,480	Donated income and asset additions		31	31
17	Profit on disposal of assets		41	41
1,708	Contributions in respect of clinical and medical negligence claims		4,934	4,934
11	Interest received	CFS	6	6
	Non NHS:			
139	Overseas patients (non-reciprocal)		694	694
645	Endowment Fund Income		0	642
134,710	Other		171,456	171,456
428,305	**Total Income**	SoCNE	**475,354**	**475,996**

Other Income breakdown (2023):

Contributions Public Sector	£139.614m
Board Residents	£15.408m
Other Operating Income	£3.363m
Healthcare to Local Authority	£2.616m

Other Income breakdown (2022):

Contributions to Public Sector	£105.9m
Board Residents	£14.4m
Other Operating Income	£2.7m
Healthcare to Local Authority	£2.2m

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

5 SEGMENTAL INFORMATION

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

	Acute	North Highland Communities incl. ASC	ASC Funding	Mental Health	Primary Care	Childrens Services	Corporate eHealth & Tertiary	Central	Facilities	A & B	2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Operating Costs	288,819	238,736	(138,791)	50,617	147,451	11,943	83,700	33,734	46,145	242,496	1,004,850

PRIOR YEAR

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

	Acute	North Highland Communities incl. ASC	ASC Funding	Mental Health	Primary Care	Childrens Services	Corporate eHealth & Tertiary	Central	Facilities	A & B	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Operating Costs	254,491	223,995	(105,328)	41,616	139,714	11,652	84,214	50,686	42,958	231,575	975,573

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

6a INTANGIBLE ASSETS (NON-CURRENT) – BOARD AND CONSOLIDATED

	Note	Software Licences £000	IT – Software £000	Total £000
Cost or Valuation:				
At 1 April 2022		**2,742**	**5,723**	**8,465**
Additions		6	1,139	1,145
At 31 March 2023		**2,748**	**6,862**	**9,610**
Amortisation				
At 1 April 2022		**1,902**	**4,827**	**6,729**
Provided during the year		285	334	619
At 31 March 2023		**2,187**	**5,161**	**7,348**
Net book value at 1 April 2022		**840**	**896**	**1,736**
Net book value at 31 March 2023	SoFP	**561**	**1,701**	**2,262**

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

	Note	Software Licences £000	IT – Software £000	Total £000
Cost or Valuation:				
At 1 April 2021		2,227	5,566	7,793
Additions		515	157	672
At 31 March 2022		**2,742**	**5,723**	**8,465**
Amortisation				
At 1 April 2021		1,612	4,438	6,050
Provided during the year		290	389	679
At 31 March 2022		**1,902**	**4,827**	**6,729**
Net book value at 1 April 2021		**615**	**1,128**	**1,743**
Net book value at 31 March 2022	SoFP	**840**	**896**	**1,736**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED AND BOARD

	Note	Land (including under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation										
At 1 April 2022		**21,095**	**387,668**	**7,568**	**152**	**85,309**	**10,089**	**1,769**	**40,966**	**554,616**
Additions - purchased		0	0	0	0	0	0	0	30,837	30,837
Additions - donated		0	0	0	0	31	0	0	0	31
Completions		0	50,122	520	0	7,003	3,533	0	(61,178)	0
Revaluations		(47)	4,246	(954)	0	0	0	0	0	3,245
Impairment charges		(194)	(8,900)	0	0	0	0	0	0	(9,094)
Disposals - purchased		(15)	(160)	0	(25)	(2,051)	0	0	0	(2,251)
Disposals - donated		0	0	0	0	(117)	0	0	0	(117)
As 31 March 2023		**20,839**	**432,976**	**7,134**	**127**	**90,175**	**13,622**	**1,769**	**10,625**	**577,267**
Depreciation										
At 1 April 2022		**0**	**32,727**	**762**	**100**	**50,527**	**7,688**	**1,746**	**0**	**93,550**
Provided during the year - purchased		0	10,843	724	6	7,513	843	8	0	19,937
Provided during the year - donated		0	101	7	1	35	3	0	0	147
Revaluations		0	(9,845)	(1,147)	0	0	0	0	0	(10,992)
Impairment charges		0	(1,163)	0	0	0	0	0	0	(1,163)
Disposals - purchased		0	(18)	0	(25)	(2,046)	0	0	0	(2,089)
Disposals - donated		0	0	0	0	(117)	0	0	0	(117)
At 31 March 2023		**0**	**32,645**	**346**	**82**	**55,912**	**8,534**	**1,754**	**0**	**99,273**
Net book value at 1 April 2022		**21,095**	**354,941**	**6,806**	**52**	**34,782**	**2,401**	**23**	**40,966**	**461,066**
Net book value at 31 March 2023	SoFP	**20,839**	**400,331**	**6,788**	**45**	**34,263**	**5,088**	**15**	**10,625**	**477,994**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED, Contd

	Note	Land (including under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Open Market Value of Land in Land & Dwellings included above		272		249						
Asset financing:										
Owned - Purchased		20,794	352,593	6,552	37	34,191	5,086	15	10,625	429,893
Owned - Donated		45	3,785	237	8	72	2	0	0	4,149
On-balance sheet PFI contracts		0	43,953	(1)	0	0	0	0	0	43,952
Net book value at 31 March 2023	SoFP	**20,839**	**400,331**	**6,788**	**45**	**34,263**	**5,088**	**15**	**10,625**	**477,994**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

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

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2021		**21,171**	**308,920**	**5,762**	**259**	**73,838**	**9,633**	**1,785**	**55,596**	**476,964**
Additions - purchased									64,275	64,275
Additions - donated		0	0	0	0	16	0	0	0	16
Completions		0	63,522	1,309	42	13,564	468	0	(78,905)	0
Revaluations		0	22,486	497	0	0	0	0	0	22,983
Impairment charges		(56)	(6,492)	0	0	0	0	0	0	(6,548)
Disposals - purchased		(20)	(116)	0	(149)	(2,094)	(12)	(16)	0	(2,407)
Disposals - donated		0	0	0	0	(15)	0	0	0	(15)
As 31 March 2022		**21,095**	**388,320**	**7,568**	**152**	**85,309**	**10,089**	**1,769**	**40,966**	**555,268**
Depreciation										
At 1 April 2021		**0**	**24,143**	**436**	**247**	**46,876**	**6,758**	**1,753**	**0**	**80,213**
Provided during the year - purchased		0	8,977	338	1	5,700	940	9	0	15,965
Provided during the year - donated		0	94	6	1	44	2	0	0	147
Revaluations		0	(429)	(18)	0	0	0	0	0	(447)
Impairment charges		0	(25)	0	0	0	0	0	0	(25)
Disposals - purchased		0	(33)	0	(149)	(2,078)	(12)	(16)	0	(2,288)
Disposals - donated		0	0	0	0	(15)	0	0	0	(15)
At 31 March 2022		**0**	**32,727**	**762**	**100**	**50,527**	**7,688**	**1,746**	**0**	**93,550**
Net book value at 1 April 2021		**21,171**	**284,777**	**5,326**	**12**	**26,962**	**2,875**	**32**	**55,596**	**396,751**
Net book value at 31 March 2022		**21,095**	**355,593**	**6,806**	**52**	**34,782**	**2,401**	**23**	**40,966**	**461,718**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

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

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Open Market Value of Land in Land and Dwellings Included Above		272		216						
Asset financing:										
Owned - purchased		21,050	309,616	6,570	43	34,706	2,396	23	40,965	415,369
Owned - donated		45	3,927	236	9	76	5	0	0	4,298
Held on finance lease		0	604	0	0	0	0	0	0	604
On-balance sheet PFI contracts		0	41,446	0	0	0	0	0	1	41,447
Net book value at 31 March 2022	SoFP	**21,095**	**355,593**	**6,806**	**52**	**34,782**	**2,401**	**23**	**40,966**	**461,718**

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NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

7c PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		Net book value of property, plant and equipment at 31 March			
457,420	457,420	Purchased		473,846	473,846
4,298	4,298	Donated		4,148	4,148
461,718	**461,718**	**Total**	SoFP	**477,994**	**477,994**
272	272	Net book value related to land valued at open market value at 31 March		272	272
216	216	Net book value related to buildings valued at open market value at 31 March		249	249
		Total value of assets held under:			
604	604	Finance Leases		0	0
41,447	41,447	PFI and PPP Contracts		43,952	43,952
42,051	**42,051**			43,952	43,952
		Total depreciation charged in respect of assets held under:			
122	122	Finance Leases			
1,252	1,252	PFI and PPP Contracts		1,369	1,369
1,374	**1,374**			1,369	1,369

An annual valuation of 20% of all NHS Highland properties was carried by an independent valuer, Gerald Eve (Argyll & Bute) & FG Burnett (North Highland) in March 2023 on the basis of fair value (market value or depreciated replacement cost 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. Indexation is applied to those assets not subject to valuation.

The net impact was an increase of £6,345m (2021/22 £16.907m) which was credited to the revaluation reserve. Impairment of £7.931m (2021/22 £6.523m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

7d. ANALYSIS OF CAPITAL EXPENDITURE

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		EXPENDITURE			
672	672	Acquisition of Intangible Assets	6	1,145	1,145
64,275	64,275	Acquisition of Property, Plant and Equipment	7a	30,837	30,837
16	16	Donated Asset Additions	7a	31	31
		Right of Use Additions	17a	2,037	2,037
64,963	**64,963**	**Gross Capital Expenditure**		**34,050**	**34,050**
		INCOME			
119	119	Net book value of disposal of Property, Plant and Equipment	7a	162	162
3	3	HUB – Repayment of investment		2	2
122	**122**	**Capital Income**		**164**	**164**
64,841	**64,841**	**Net Capital Expenditure**		(33,886)	(33,886)
		SUMMARY OF CAPITAL RESOURCE OUTTURN			
64,825	64,825	Core Capital Expenditure included above		33,855	33,855
64,825	64,825	Core Capital Resource Limit		33,934	33,934
0	0	**Saving/(excess) against Core Capital Resource Limit**		**79**	**79**
16	16	Non-Core Capital Expenditure included above		31	31
16	16	Non-Core Capital Resource Limit		31	31
0	**0**	**Saving/(excess) against Non-Core Capital Resource Limit**		**0**	**0**
64,841	64,841	Total Capital Expenditure		33,886	33,886
64,841	64,841	Total Capital Resource Limit		33,965	33,965
0	**0**	**Saving/(excess) against Capital Resource Limit**		**79**	**79**

8 INVENTORIES

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
7,236	7,236	Raw Materials and Consumables		8,023	8,023
7,236	**7,236**	**Total Inventories**	SoFP	**8,023**	**8,023**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

9 TRADE AND OTHER RECEIVABLES

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		Receivables due within one year – NHS Scotland			
135	135	Scottish Government Health & Social Care Directorate		123	123
4,207	4,207	Boards		6,007	6,007
4,342	**4,342**	**Total NHS Scotland Receivables**		**6,130**	**6,130**
529	529	NHS Non-Scottish Bodies		741	741
1,229	1,229	VAT recoverable		1,700	1,700
8,303	8,303	Prepayments		8,114	8,114
5,073	5,073	Accrued income		7,205	7,205
1,650	1,761	Other Receivables		2,363	2,709
7,100	7,100	Reimbursement of provisions		5,059	5,059
17,151	17,151	Other Public Sector Bodies		22,525	22,525
45,377	**45,488**	**Total Receivables due within one year**	SoFP	**53,837**	**54,183**
4,756	4,756	Other Public Sector Bodies		39,045	39,045
1,272	1,272	Prepayments		1,206	1,206
4,652	4,652	Accrued income		5,158	5,158
3,849	3,849	Other Receivables		3,367	3,367
12,449	12,449	Reimbursement of Provisions		9,254	9,254
26,978	**26,978**	**Total Receivables due after more than one year**	SoFP	**58,030**	**58,030**
72,355	**72,466**	**TOTAL RECEIVABLES**		**111,867**	**112,213**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

9 TRADE AND OTHER RECEIVABLES, Contd

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		The total receivables figure above includes a provision for impairments			
1,672	1,672	of:		1,847	1,847
		WGA Classification			
4,207	4,207	NHS Scotland		6,007	6,007
1,339	1,339	Central Government bodies		1,728	1,728
17,151	17,151	Whole of Government bodies		22,525	22,525
529	529	Balances with NHS Bodies in England & Wales		741	741
49,129	49,240	Balances with bodies external to Government		80,866	81,212
72,355	**72,466**	**Total**		**111,867**	**112,213**
		Movements on the provision for impairment of receivables are as follows:			
1,896	1,896	At 1 April		1,672	1,672
(139)	(139)	Provision for impairment		389	389
(85)	(85)	Receivables written off during the year as uncollectible		(214)	(214)
1,672	**1,672**	At 31 March		**1,847**	**1,847**

As of 31 March 2023, receivables with a carrying value of £1847m (2021/22: £1672m) were impaired and provided for. The ageing of these receivables is as follows:

2022 £000	2022 £000		2023 £000	2023 £000
		3 to 6 months past due		
1,672	1,672	Over 6 months past due	1,847	1,847
1,672	**1,672**		**1,847**	**1,847**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2023, receivables with a carrying value of £7,201 million (2021/22: £2,527 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

9 TRADE AND OTHER RECEIVABLES, Cont

2022 £000	2022 £000		2023 £000	2023 £000
1,073	1,073	Up to 3 months past due	1,959	1,959
700	700	3 to 6 months past due	533	533
754	754	Over 6 months past due	4,709	4,709
2,527	**2,527**		**7,201**	**7,201**

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

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

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

9 TRADE AND OTHER RECEIVABLES, Contd

2022 £000	2022 £000	Currencies:	2023 £000	2023 £000
72,355	72,466	Pounds	111,867	112,213
		Dollars	0	0
72,355	**72,466**		**111,867**	**112,213**

All non-current receivables are due within 12 years (2021/22: 13 years) from the balance sheet date.
The carrying amount of short term receivables that are financial instruments approximates their fair value.
The fair value of long term other receivables is £58,030 (2021/22 £26,978m).
The effective interest rate on non-current other receivables is 0% (2021/22: 0%). Pension liabilities are discounted at 1.7% (2021/22: -1.3%).

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

10 INVESTMENTS

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
396		Government securities		390	
8,300	102	Other		7,907	101
8,696	**102**	**TOTAL**	SoFP	**8,297**	**101**
8,497	106	**At 1 April**		8,696	102
119	0	Additions	CFS	607	
(177)	(4)	Disposals		(774)	(1)
257		Revaluation surplus / (deficit) transferred to equity	SoCTE	(232)	
8,696	**102**	**At 31 March**		**8,297**	**101**
8,696	102	Non-Current	SoFP	8,297	101
8,696	**102**	At 31 March		**8,297**	**101**

We have a small shareholding in HUB North of Scotland Ltd, an unlisted investment denominated in UK pounds; £102k in the form of non-equity long term loans repayable in full with interest over 25 years to HUB North of Scotland Ltd as part of the financing arrangements for the Forres, Woodside and Tain Health Centre Project. The carrying value of £102k of these investments is cost less impairment as there is no active market. Stocks and Bonds relate to the Highland Health Board Charitable Endowment Funds which are invested in a portfolio of bonds and equity investments, managed by the Funds appointed Investment Managers Adam & Company Investment Management Limited., in line with a medium risk strategy to deliver a balance between income and capital growth. The carrying value of Stocks and Bonds is market value.

11 CASH AND CASH EQUIVALENTS (Consolidated)

	Note	2023 £000	2022 £000
Balance at 1 April		935	971
Net change in cash and cash equivalent balances	CFS	356	(36)
Balance at 31 March	SoFP	**1,291**	**935**
Total Cash – Cash Flow Statement		**1,291**	**935**

The following balances at 31 March were held at:

Government Banking Services	66	31
Commercial banks and cash in hand	70	(16)
Endowment cash	1,155	920
Balance at 31 March	**1,291**	**935**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

12 TRADE AND OTHER PAYABLES

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		Payables due within one year NHS Scotland			
13,208	13,208	Boards		20,078	20,078
13,208	**13,208**	**Total NHS Scotland Payables**		**20,078**	**20,078**
1,039	1,039	NHS Non-Scottish Bodies		1,606	1,606
13,169	13,169	FHS Practitioners		13,338	13,338
6,883	6,883	Trade Payables		2,882	2,882
39,979	39,960	Accruals		32,181	32,161
1,638	1,638	Deferred income		1,732	1,732
247	247	Payments received on account		81	81
256	256	Net obligations under Leases	17b	5,172	5,172
2,415	2,415	Net obligations under PPP/PFI Contracts	18b	2,661	2,661
9,480	9,480	Income tax and social security		10,616	10,616
7,587	7,587	Superannuation		8,221	8,221
7,545	7,545	Holiday Pay Accrual		7,869	7,869
34,640	34,640	Other Public Sector Bodies		25,269	25,269
10,816	10,816	Other payables		11,225	11,225
312	312	Other significant Payable - Pension contribution to Local Govt Pension Scheme		299	299
149,214	**149,195**	**Total Payables due within one year**	SoFP	**143,230**	**143,210**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

12 TRADE AND OTHER PAYABLES, Contd

Consolidated 2022 £000	Board 2022 £000		Note	Consolidated 2023 £000	Board 2023 £000
		Payables due after more than one year			
		Other public sector bodies			
283	283	Net obligations under Finance Leases due within 2 years	17b	3,472	3,472
591	591	Net obligations under Finance Leases due after 2 years but within 5 years	17b	7,570	7,570
187	187	Net obligations under Finance Leases due after 5 years	17b	9,515	9,515
2,662	2,662	Net obligations under PPP/PFI Contracts due within 2 years	18b	2,937	2,937
6,401	6,401	Net obligations under PPP/PFI Contracts after 2 years but within 5 years	18b	4,947	4,947
13,777	13,777	Net obligations under PPP/PFI Contracts due after 5 years	18b	12,294	12,294
3,831	3,831	Other payables		3,349	3,349
27,732	**27,732**	**Total Payables due after more than one year**	SoFP	**44,084**	**44,084**
176,946	**176,927**	**TOTAL PAYABLES**		**187,314**	**187,294**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

13a PROVISIONS – CONSOLIDATED AND BOARD

	Note	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2023 Total
		£000	£000	£000	£000	£000
At 1 April 2022		**9,527**	**17,186**	**33,010**	**300**	**60,023**
Arising during the year		345	6,802	6,134	133	13,414
Utilised during the year		(606)	(4,352)	(2,698)	(236)	(7,892)
Unwinding of discount		(2,161)				(2,161)
Reversed unutilised		(347)	(5,175)		(21)	(5,543)
At 31 March 2023	**2**	**6,758**	**14,461**	**36,446**	**176**	**57,841**

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

Analysis of expected timing of discounted flows – to 31 March 2023

	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2023 Total
	£000	£000	£000	£000	£000
Payable in one year	924	5,132	9,099	176	15,331
Payable between 2-5 years	1,863	2,080	22,168	0	26,111
Payable between 6-10 years	1,788	2,246	1,886	0	5,920
Thereafter	2,183	5,003	3,293	0	10,479
Total as at 31 March 2023	**6,758**	**14,461**	**36,446**	**176**	**57,841**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

13a PROVISIONS – CONSOLIDATED AND BOARD, Contd

PROVISIONS – CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2022 Total
	£000	£000	£000	£000	£000
At 1 April 2021	10,346	17,763	32,391	347	60,847
Arising during the year	155	15,183	1,672	153	17,163
Utilised during the year	(641)	(5,837)	(1,053)	(86)	(7,617)
Unwinding of discount	333	0	0	0	333
Reversed unutilised	(666)	(9,923)	0	(114)	(10,703)
At 31 March 2022	**9,527**	**17,186**	**33,010**	**300**	**60,023**

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

Analysis of expected timing of discounted flows to 31 March 2022

	Note	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2022 Total
		£000	£000	£000	£000	£000
Payable in one year		1,336	4,725	8,234	300	14,595
Payable between 2-5 years		2,367	1,629	20,061	0	24,057
Payable between 6-10 years		2,411	2,651	1,707	0	6,769
Thereafter		3,413	8,181	3,008	0	14,602
Total as at 31 March 2022		**9,527**	**17,186**	**33,010**	**300**	**60,023**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

13a PROVISIONS – CONSOLIDATED AND BOARD, Contd

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.7% (-1.3% 21/22) in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years. Please refer to Accounting policies for further details.

Clinical & Medical Legal Claims against NHS Boards

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

Other (non-endowment)

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

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

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

2022 £000		Note	2023 £000
20,033	Provision recognising individual claims against the NHS Board as at 31 March	13a	14,637
(19,549)	Associated CNORIS receivable at 31 March	9	(14,313)
33,010	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	36,446
33,494	**Net Total Provision relating to CNORIS at 31 March**		**36,770**

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

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

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

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

Further information on the scheme can be found here

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

14 CONTINGENT LIABILITIES

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

2022 £000		2023 £000
	Nature	
2,378	Clinical and medical compensation payments	2,673
119	Employer's liability	196
50	Third party liability	15
2,547	**TOTAL CONTINGENT LIABILITIES**	**2,884**

2022 £000	CONTINGENT ASSETS	2023 £000
1,988	Clinical and medical compensation payments	2,243
35	Employer’s liability	45
15	Third party	0
2,038		**2,288**

15 EVENTS AFTER THE END OF THE REPORTING YEAR

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

16 COMMITMENTS

Capital Commitments

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

2022 £000		Property, plant & equipment 2023 £000
	Contracted	
12,900	National Treatment Centre (Wad ECC)	500
5,630	Increased hospital / community capacity	4,950
	Grantown Health Centre Refurbishment	2,500
	Portree/Broadford HC Spoke Reconfiguration	2,820
18,530	**Total**	**10,770**
	Authorised but not Contracted	
2,500	Grantown Health Centre Refurbishment	0
2,820	Portree Spoke Reconfiguration	0
42,750	Belford Hospital Replacement	94,400
5,357	Radiotherapy	6,051
42,750	Caithness Redesign Project	48,500
96,177	**Total**	**148,951**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

17a RIGHT OF USE (ROU) – CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Intangibles	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2022		65,139	580	5,989	1,143				72,851
Additions (include new dilapidation provisions)		950	105	657	0				1,712
Additions - peppercorn leases		325							325
Revaluations		163							163
Disposals				(496)	(31)				(527)
At 31 March 2023	**0**	**66,577**	**685**	**6,150**	**1,112**	**0**	**0**	**0**	**74,524**

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Intangibles	Total
Depreciation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2022									
Provided during the year - (include new dilapidation provisions)		3,034	105	2,206	473				5,818
Provided during the year - peppercorn leases		872			192				1,064
Revaluations		124							124
Disposals				(496)	(31)				(527)
At 31 March 2023	**0**	**4,030**	**105**	**1,710**	**634**	**0**	**0**	**0**	**6,479**
Net book value at 1 April 2022	**0**	**65,139**	**580**	**5,989**	**1,143**	**0**	**0**	**0**	**72,851**
Net book value at 31 March 2023	**0**	**62,547**	**580**	**4,440**	**478**	**0**	**0**	**0**	**68,045**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

17b LEASES LIABILITIES – CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Intangibles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amounts falling due:									
Not later than one year		2,879	119	2,009	165				5,172
Later than one year, not later than 2 years		2,367	67	906	132				3,472
Later than two year, not later than five years		5,984	154	1,319	113				7,570
Later than five years		9,208	242	55	10				9,515
Balance at 31 March 2023	**0**	**20,438**	**582**	**4,289**	**420**	**0**	**0**	**0**	**25,729**

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2022/23	
	Consolidated	Board
	£000	£000
Depreciation	6,882	6,882
Interest Expense	369	369
Non-Recoverable VAT on lease payments	538	538
Low value and short-term leases	113	113
Total	**7,902**	**7,902**

Amounts recognised in the Statement of Cash Flows

	2022/23	
	Consolidated	Board
	£000	£000
Interest Expense	369	369
Repayments of Principal of leases	5,972	5,972
Total	**6,341**	**6,341**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

18b COMMITMENTS UNDER PFI CONTRACTS – ON BALANCE SHEET

The Board has entered into the following PFI contracts:

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

2022 £000	Gross Minimum Lease Payments	Note	New Craig's £000	Easter Ross £000	Mid Argyll £000	Tain HC HUB £000	2023 Total £000
4,189	Rentals due within 1 year		1,922	622	1,229	419	4,192
4,193	Due within 1 to 2 years		1,922	622	1,229	422	4,195
9,523	Due within 2 to 5 years		778	1,865	3,687	1,278	7,608
18,454	Due after 5 years			1,157	10,119	4,898	16,174
36,359	**Total**		4,622	4,266	16,264	7,017	32,169
	***Less* Interest Element**						
(1,774)	Rentals due within 1 year		(462)	(175)	(573)	(321)	(1,531)
(1,531)	Due within 1 to 2 years		(251)	(153)	(541)	(313)	(1,258)
(3,122)	Due within 2 to 5 years		(53)	(315)	(1,417)	(876)	(2,661)
(4,677)	Due after 5 years		0	(75)	(1,936)	(1,869)	(3,880)
(11,104)	**Total**		(766)	(718)	(4,467)	(3,379)	(9,330)
	Present value of minimum lease payments						
2,415	Rentals due within 1 year	12	1,460	447	656	98	2,661
2,662	Due within 1 to 2 years	12	1,671	469	688	109	2,937
6,401	Due within 2 to 5 years	12	725	1,550	2,270	402	4,947
13,777	Due after 5 years	12	0	1,082	8,183	3,029	12,294
25,255	**Total**		3,856	3,548	11,797	3,638	22,839
	Service elements due in further periods						
4,844	Rentals due within 1 year		3,997	1,017	1,703	87	6,804
5,064	Due within 1 to 2 years		2,689	1,179	1,831	85	5,784
14,249	Due within 2 to 5 years		672	3,700	6,048	239	10,659
25,544	Due after 5 years			3,113	22,240	725	26,078
49,701	**Total**		7,358	9,009	31,822	1,136	49,325
74,956	**Total Commitments**		**11,214**	**12,557**	**43,619**	**4,774**	**72,164**

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

2022 £000		Note	2023 £000
1,981	Interest charges	2	1,776
4,973	Service Charges		5,553
2,195	Principal repayment		2,415
19	Other Charges		31
9,168	**Total**		**9,775**
19	Contingent Rents – (including other charges)		31

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

19 PENSION COSTS

IAS 19 Multi-employer plans

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

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

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

(d)

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

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

(iii) The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

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

(v) The Board's level of participation in the scheme is 4.9% based on the proportion of employer contributions paid in 2021/22.

Description of schemes

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2022-23 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at Scottish Public Pensions Agency home page | SPPA

National Employment Savings Trust (NEST)

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

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

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

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

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

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

	2023 £000	**2022 £000**
Pension cost charge for the year	71,588	65,973
Additional costs arising from early retirement		126
Pension cost in year of staff transferred from Highland Council	1,347	1,457
Provisions/Liabilities/Pre-payments included in the SoFP	6,662	5,607

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

PENSION COSTS FOR STAFF TRANSFERRED FROM HIGHLAND COUNCIL

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

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

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

The Highland Council recognises the liability of the Pension Fund at 31 March 2012 attributable to these NHS Highland staff in the The Highland Council accounts. NHS Highland recognises the gain in the Fund for the year from 1 April 2022 to 31 March 2023 of £27.627m, giving a total liability to 31st March 2023 of £5.012m (total to 31st March 2022 of £32.639m). This is included in two parts in NHS Highland's accounts:-

a) £44.057m of realised deficit in SOCNE which has been covered by funding from Scottish Government and

b) £39.045m of unrealised gains due to actuarial assumptions which is recorded as other Comprehensive Net Expenditure and offset against Reserves in the SoFP.

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

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

	2023 £000	2022 £000
Current Service cost	6,897	7,723
Interest Cost	2,890	2,123
Interest Income	(1,911)	(1,322)
IAS 19 charge to service costs	**7,876**	**8,524**
Financial Assumptions Gain / (loss)	34,289	10,674
Gain / (loss) through other comprehensive net expenditure	34,289	10,674

The current assets and liabilities are made up of:-

Present Value of the Scheme Liabilities		
Opening defined benefit obligation	104,057	102,644
Current Service Cost	6,897	7,723
Interest Cost	2,890	2,123
Change in financial assumptions	(44,109)	(7,598)
Estimated benefits paid	(1,645)	(1,458)
Changes in demographic assumptions	(632)	(546)
Other experience	5,997	210
Contributions by scheme participants	915	941
Closing Value	74,370	104,039

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

Fair Value of the Scheme Assets	
Opening Fair Value of scheme assets	69,777
Expected return on scheme assets	(4,455)
Interest Income	1,911
Contributions by employer	2,855
Contributions by Scheme participants	915
Other Experience	0
Estimated benefits paid (net of transfers in)	(1,645)
Closing value	69,358

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

The total contributions expected to be made to The Highland Council Pension Scheme by NHS Highland in the year to 31 March 2024 is £2.855m.

Basis for estimating assets and liabilities of the Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal actuarial assumptions adopted as at 31 March 2023 are as follows:

		2023	**2022**
(a)	Long term expected rate of return on assets in the scheme	2.95%	3.2%
(b)	Life expectancy from age 65 (years)		
	Retiring today:		
	Males	20.4	20.8
	Females	23.1	23.3
	Retiring in 20 years:		
	Males	21.6	22.0
	Females	25.0	25.3
(c)	Financial assumptions		
	Rate of increase in salaries	3.75%	4.00%
	Rate of increase in pensions (CPI)	2.95%	3.2%
	Rate of discounting scheme liabilities	4.75%	2.7%
	Take up of option to convert annual pension into retirement lump sum	50%	50%
(d)	The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held		
	Securities		29%
	Debt Securities		14%
	Private Equity		8%
	Real Estate		10%
	Investment Funds & Unit Trusts		34%
	Cash		5%
	Total		100%

20 RETROSPECTIVE RESTATEMENTS

Opening balances have not been restated but adjustments to opening balances were required for the transition to IFRS 16.

		Dr. £000	Cr. £000
Adjustment 1	The Board adopted IFRS 16 Leases effective from 1 April 2022. Full details are included in Notes 17a and 17b. The following changes were made to the opening balances.		
Adjustment 2	Right of Use Asset (incl. Peppercorn)	72,199	
Adjustment 3	Lease Liability		28,518
Adjustment 4	General Fund (Peppercorn Leases)		43,681

The reduction in the 2021-22 closing balance and 2022-23 opening balance is due to changes in management assumptions regarding leases for leased equipment. The main impact relates to the laboratory managed service contract which will be replaced in 2023-24; the assumption in the 2021-22 accounts was that this contract would continue for several years.

21 RESTATED PRIMARY STATEMENTS

There have been no restated primary statements in these accounts

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

22 FINANCIAL INSTRUMENTS

22a Financial Assets

CONSOLIDATED At 31 March 2023	Notes	Financial Assets at fair value OCI £000	Financial Assets at fair value through profit/loss £000	Total £000
Assets per SoFP				
Investments			8,297	8,297
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.		80,404		80,404
Cash and cash equivalents		1,291		1,291
		81,695	**8,297**	**89,992**

BOARD At 31 March 2023	Notes	Financial Assets at fair value OCI £000	Financial Assets at fair value through profit/loss £000	Total £000
Assets per SoFP				
Investments			101	101
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.		80,750		80,750
Cash and cash equivalents		136		136
		80,886	**101**	**80,987**

CONSOLIDATED (Prior Year)

At 31 March 2022	Notes	Financial Assets at fair value OCI £000	Financial Assets at fair value through profit/loss £000	Total £000
Assets per SoFP				
Investments	10	0	8,696	8,696
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	9	37,660	0	37,660
Cash and cash equivalents	11	935	0	935
		38,595	**8,696**	**47,291**

BOARD (Prior Year)

At 31 March 2022	Notes	Financial Assets at fair value OCI £000	Financial Assets at fair value through profit/loss £000	Total £000
Assets per SoFP				
Investments	10	0	102	102
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	9	37,771	0	37,771
Cash and cash equivalents	11	15	0	15
		37,786	**102**	**37,888**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

22 FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities

CONSOLIDATED at 31 March 2023	Note	Liabilities at Fair Value through profit and loss £000	Financial liabilities at amortised cost £000	Total £000
Liabilities per SoFP				
Finance lease liabilities			25,729	25,729
PFI Liabilities			22,839	22,839
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.			98,099	98,099
			146,667	**146,667**

BOARD at 31 March 2023	Note	£000	£000	£000
Liabilities per SoFP				
Finance lease liabilities			25,729	25,729
PFI Liabilities			22,839	22,839
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.			98,079	98,079
			146,647	**146,647**

CONSOLIDATED (Prior Year) at 31 March 2022	Note	£000	£000	£000
Finance lease liabilities			1,317	1,317
PFI Liabilities			25,255	25,255
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation			118,461	118,461
			145,033	**145,033**

BOARD (Prior Year) at 31 March 2022	Note	£000	£000	£000
Finance lease liabilities			1,317	1,317
PFI Liabilities			25,255	25,255
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation			118,442	118,442
			145,014	**145,014**

22b Financial Risk Factors

Exposure to Risk

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

Credit risk - the possibility that other parties might fail to pay amounts due.
Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.
Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
at 31 March 2023	**£000**	**£000**	**£000**	**£000**
PFI Liabilities	4,193	4,195	7,608	16,176
Finance lease liabilities				
Trade and other payables exc statutory liabilities				
Total	**4,193**	**4,195**	**7,608**	**16,176**
at 31 March 2022	**£000**	**£000**	**£000**	**£000**
PFI Liabilities	4,189	4,192	9,523	18,454
Finance lease liabilities	383	384	710	218
Trade and other payables exc statutory liabilities				
Total	**4,572**	**4,576**	**10,233**	**18,672**

c) Market Risk

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

The NHS Board is not exposed to foreign exchange rates.

iii) Price risk

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

c FAIR VALUE ESTIMATION

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

The carrying value net of expected credit loss of trade receivables & payables are expected to approximate their fair value

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Board has no transactions of this type.

24 RELATED PARTY TRANSACTIONS

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

NHS Highland enters into significant transactions with other Scottish Boards including:

NHS Grampian
NHS Greater Glasgow and Clyde
NHS National Services Scotland
NHS National Education for Scotland
NHS National Waiting Times Centre Board (Golden Jubilee NWTC)
NHS Western Isles
NHS Lothian
NHS Tayside.

Integrated Adult services

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

In 2223 NHS Highland has the following transactions with Highland council:

	2023 £'000	2022 £'000
Income	138,791	105,328
Expenditure	11,943	11,652
Payables	11,909	14,775
Receivables	17,262	16,480

Argyll & Bute IJB

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

In 2223 NHS Highland has the following transactions with Argyll & Bute IJB:

	2023 £'000	2022 £'000
Income	252,943	239,365
Expenditure	260,462	269,993
Payables	11,984	19,048

Senior officers have control over the Board's financial and operating policies. The total renumeration to senior officers is shown in the Remuneration Report. Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly may influence or thought to influence, their judgment or decisions taken during their work. In terms of any related parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. The full list of Directors & senior staff declarations of interest are publicly available on NHS Highland's website**.**

Reconciliation to IJB Accounts

	£000s
Income to NHS Highland from A&B IJB	252,943
Cost of Services per IJB accounts	245,664
Difference	**7,279**

Being items recorded in the social work element of the IJB accounts (but funded by NHS Highland):

Resource Transfer to A&B Council	5,433
Agreed budget transfer to A&B Council for ASC	1,134
IJB Covid	712
	7,279

NHS Highland Endowments

The trustees of the Highland Health Board Endowment fund are all members of NHS Highland Board. As a result the Endowment fund accounts are consolidated with the NHS Highland Accounts. All trustees are listed in the remuneration report on P44.

25 THIRD PARTY ASSETS

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

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

	2022 £000	Gross Inflows £000	Gross Outflows £000	2023 £000
Monetary amounts such as bank balances and monies on deposit	2,765	4,190	(3,672)	3,282
Total Monetary Assets	**2,765**	**4,190**	**(3,672)**	**3,282**

26a CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Consolidated 2022 £000		Note	Board 2023 £000	Endowment 2023 £000	Intra Group adjustment 2023 £000	IJB 2023 £000	Consolidated 2023 £000
	Total Income and Expenditure						
492,584	Staff Costs	3	553,431				553,431
	Other operating expenditure	3					
111,321	Independent Primary Care Services		107,190				107,190
154,052	Drugs and medical supplies		148,906				148,906
645,956	Other health care expenditure		670,788	1,017	(319)		671,486
1,403,913	**Gross expenditure for the year**		**1,480,315**	**1,017**	**(319)**		**1,481,013**
(428,305)	Less: Operating Income	4	(475,465)	(850)	319		(475,996)
(7,332)	Associates & joint ventures accounted for on an equity basis					2,130	2,130
968,276	**Net Expenditure**		**1,004,850**	**167**		**2,130**	**1,007,147**

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

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

26b CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated 2022 £000		Note	Board 2023 £000	Endowment 2023 £000	Intra Group adjustment 2023 £000	IJB 2023 £000	Consolidated 2023 £000
	Non-current Assets:						
461,718	Property, plant and equipment	SoFP	477,994	0			477,994
1,736	Intangible assets	SoFP	2,262	0			2,262
	Right of Use Assets	SoFP	68,045	0			68,045
	Financial assets:						
8,696	Available for sale financial assets	SoFP	101	8,196			8,297
10,625	Investments in associates and Joint ventures		0	0		8,495	8,495
26,978	Trade and other receivables	SoFP	58,030	0			58,030
509,753	**Total non-current assets**		**606,432**	**8,196**		**8,495**	**623,123**
	Current Assets:						
7,236	Inventories	SoFP	8,023				8,023
	Financial assets:						
45,377	Trade and other receivables	SoFP	54,183	11	(357)		53,837
935	Cash and cash equivalents	SoFP	136	1,155			1,291
53,548	**Total current assets**		**62,342**	**1,166**	**(357)**		**63,151**
563,301	**Total Assets**		**668,774**	**9,362**	**(357)**	**8,495**	**686,274**
	Current liabilities						
(14,595)	Provisions	SoFP	(15,331)				(15,331)
	Financial liabilities:						
(149,214)	Trade and other payables	SoFP	(143,210)	(377)	357		(143,230)
(163,809)	**Total current liabilities**		**(158,541)**	**(377)**	**357**		**(158,561)**
399,492	**Non-current assets plus / less net current assets / liabilities**		**510,233**	**8,985**	**0**	**8,495**	**527,713**
	Non-current liabilities						
(45,428)	Provisions	SoFP	(42,510)				(42,510)
	Financial liabilities:						
(27,732)	Trade and other payables	SoFP	(44,084)				(44,084)
(73,160)	**Total non-current liabilities**		**(86,594)**				**(86,594)**
326,332	**Assets less liabilities**		**423,639**	**8,985**	**0**	**8,495**	**441,119**
	Taxpayers Equity						
145,438	General Fund	SoFP	209,755	0			209,755
118,734	Revaluation reserve	SoFP	130,782	0			130,782
42,151	Other reserves	SoFP	83,102	0			83,102
10,625	Other reserves – Joint ventures	SoFP	0	0		8,495	8,495
9,384	Funds Held on Trust	SoFP	0	8,985			8,985
326,332	**Total taxpayers' equity**		**423,639**	**8,985**	**0**	**8,495**	**441,119**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2023

26c CONSOLIDATED STATEMENT OF CASHFLOWS

Consolidated		Board	Endowment	Intra group adjustment	IJB	Consolidated
2022 £000		2023 £000	2023 £000	2023 £000	2023 £000	2023 £000
	Cash flows from operating activities					
(968,276)	Net operating expenditure	(1,004,850)	(167)		(2,130)	(1,007,147)
30,223	Adjustments for non-cash transactions	76,419			2,130	78,549
2,465	Add back: interest payable recognised in net operating expenditure	4,306				4,306
(11)	Deduct: Interest receivable recognised in net operating expenditure	(6)	0			(6)
(8,932)	Movements in working capital	(46,344)	251			(46,093)
(944,531)	**Net cash outflow from operating activities**	**(970,475)**	**84**		**0**	**(970,391)**
	Cash flows from investing activities					
(54,879)	Purchase of property, plant and equipment	(38,853)	0			(38,853)
(672)	Purchase of intangible assets	(1,145)	0			(1,145)
(119)	Investment additions	0	(607)			(607)
139	Proceeds of disposal of property, plant and equipment	181	0			181
174	Receipts from sale of investments		773			773
11	Interest and dividends received	6				6
(55,346)	**Net cash outflow from investing activities**	**(39,811)**	**166**			**(39,645)**
	Cash flows from financing activities					
1,004,819	Funding	1,023,258				1,023,258
(88)	Movement in general fund working capital					
1,004,731	Cash drawn down	1,023,258				1,023,258
(2,196)	Capital element of payments in respect of on-balance sheet PFI contracts	(2,416)				(2,416)
(229)	Capital element of payments in respect of leases	(169)				(169)
	IFRS 16 – 2022/23 Cash Lease Payments	(5,975)				(5,975)
(333)	Interest paid	(2,161)				(2,161)
(2,132)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(2,145)				(2,145)
999,841	**Net Financing**	**1,010,392**				**1,010,392**
(36)	**Net increase / (decrease) in cash and cash equivalents in the period**	106	250			356
971	**Cash and cash equivalents at the beginning of the period**	15	920			935
935	**Cash and cash equivalents at the end of the period**	**121**	**1,170**			**1,291**
	Reconciliation of net cash flow to movement in net debt/cash					
(36)	Increase / (decrease) in cash in year	106	250			356
971	Net cash at 1 April	15	920			935
935	**Net cash at 31 March**	**121**	**1,170**			**1,291**

DIRECTIONS BY THE SCOTTISH MINISTERS

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

1. NHS Highland must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.

2. In preparing a statement of accounts in accordance with paragraph 1, NHS Highland must use the NHS Highland Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.

3. In preparing a statement of accounts in accordance with paragraph 1, NHS Highland must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –

   (a) The NHS Scotland Capital Accounting Manual,

   (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and

   (c) The Scottish Public Finance Manual.

4. A statement of accounts prepared by NHS Highland in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.

5. NHS Highland must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.

6. In these Directions –

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

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

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

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

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

NHS Highland is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

"NHS Highland Annual Accounts template" means the Excel spreadsheet issued to NHS Highland by the Scottish Ministers as a template for their statement of accounts, and

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

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.

8. This Direction will come into force on the day after the day on which it is signed.

9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.

Signed by the authority of the Scottish Ministers

Dated 22 March 2022