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# Introduction

NHS Education for Scotland (NES) is the national NHS Board with responsibility for education, training and workforce development. We work with key partners in the Scottish Government, NHS Boards, regions, social care, the academic sector and UK professional bodies and regulators across Scotland's diverse geography.

The period of these Annual Accounts covers up to 31 March 2020. At the end of this period, and onwards into 2020/21, we face the global Covid-19 pandemic. The timing means that although there has been little direct impact on our finances for the 2019/20 period, we have had to simplify our approach to the compilation of this report. Hence, to maximise efficiency in a time of intense demand, we have produced it in the same format as in 2018/19.

During 2019/20, we supported the Cabinet Secretary's priorities on waiting times, integration, mental health, primary care and healthcare associated infection. At the same time, we maintained our focus on providing the right numbers of trained staff in the right place at the right time.

This year, we continued to extend our core business into areas that improve the attractiveness of healthcare careers, recruitment and retention - enhancing the training and employment experience, supported by digital innovation and a step change in the quality of data available.

We continued to operate within our financial envelope, delivering services to budget and meeting the requisite efficiency savings targets.

The last 12 months have demonstrated our continued contribution to a high-quality workforce and digital support for local, regional and national health and care services. In a time of great pressure on the health and social care sector, we are grateful for the dedication of our staff and Board Members, and the valuable contributions of our stakeholders, to ensure our continued success in delivering against our key objectives.



David Garbutt

Chair



Stewart Irvine

Acting Chief Executive

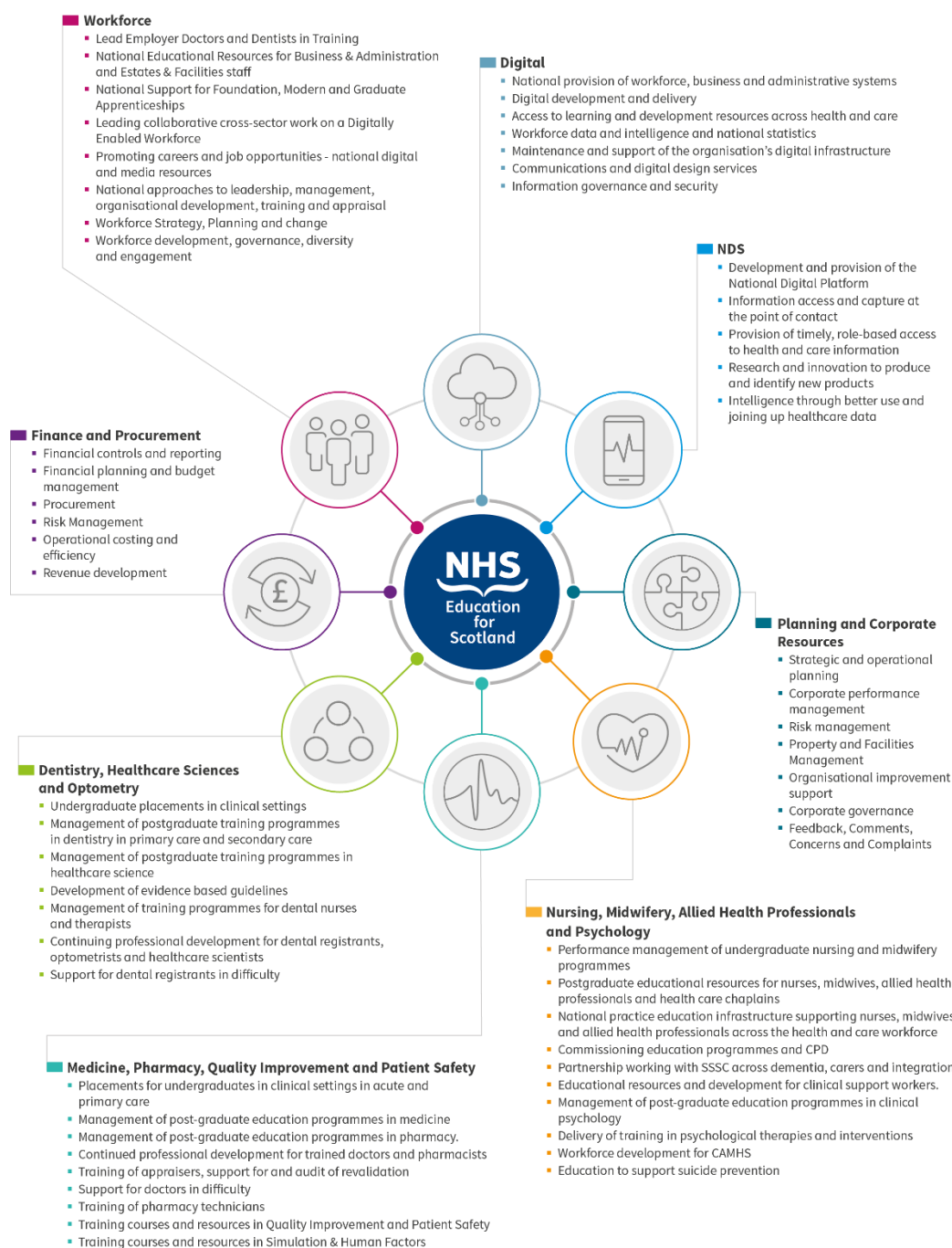
# Performance Report

## Overview

NES is the national Board with responsibility for education, training and workforce development for those who work in, and with, health and care services in Scotland. Increasingly, we have also developed workforce and digital initiatives to support the workforce pressures faced by health and social care.

## How we work

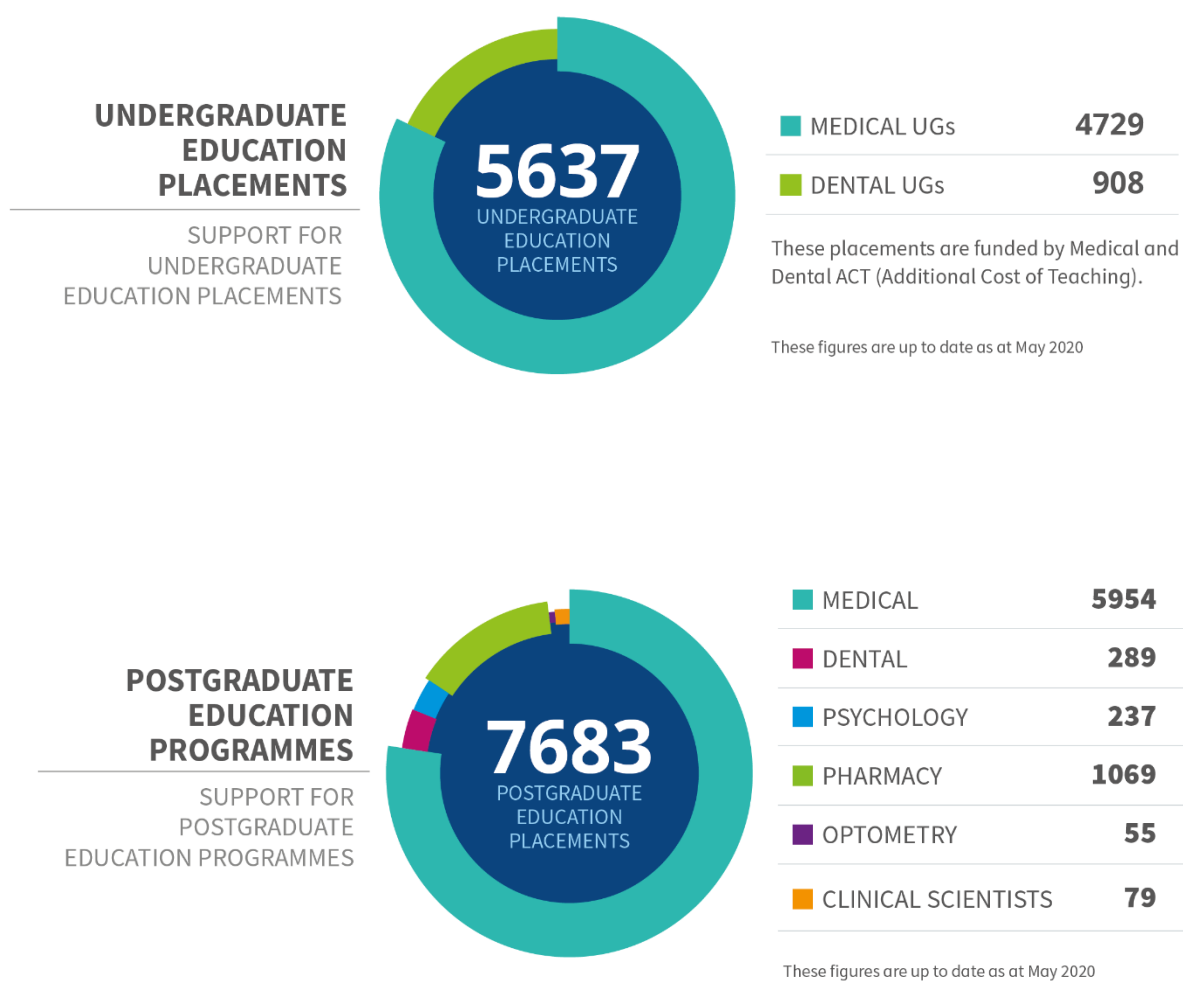
Within our organisation we are structured into eight Directorates:



Our activities can be described under three main headings:

1. Providing placement opportunities for undergraduate students, recruiting and managing progression through structured post-graduate training programmes;
2. Providing educational materials, resources and learning opportunities;
3. Provision of physical, people and digital infrastructures.

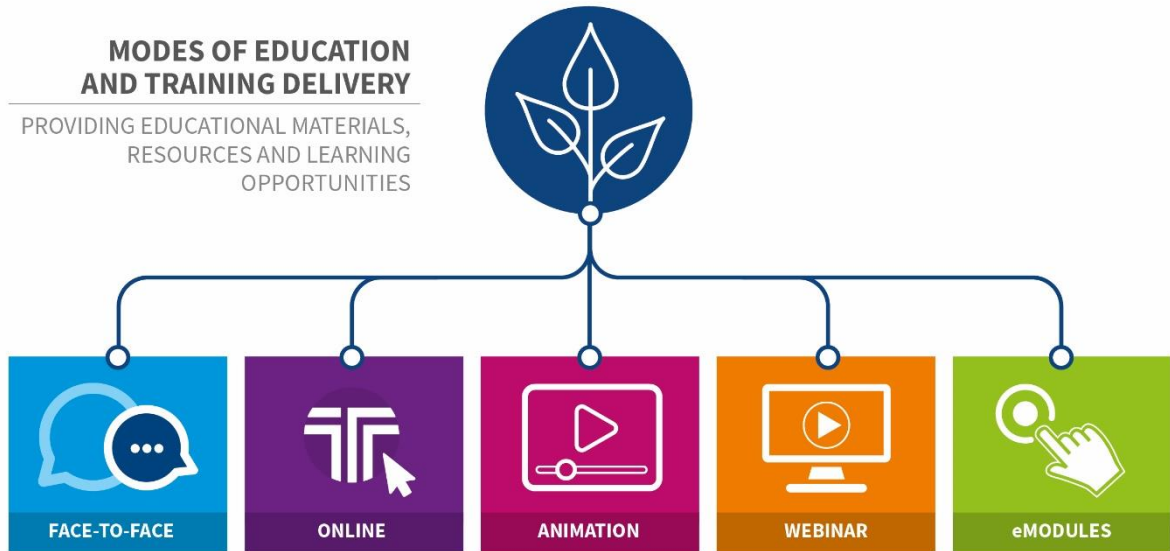
## 1) Providing placement opportunities for undergraduate students, recruiting and managing progression through structured post-graduate training programmes.



The expenditure relating to the above activities can be found in Note 4.

## 2) Providing educational materials, resources and learning opportunities

We provide a range of educational resources and interventions, which can be accessed in many ways, to support the health and social care workforce in formats that suit them:



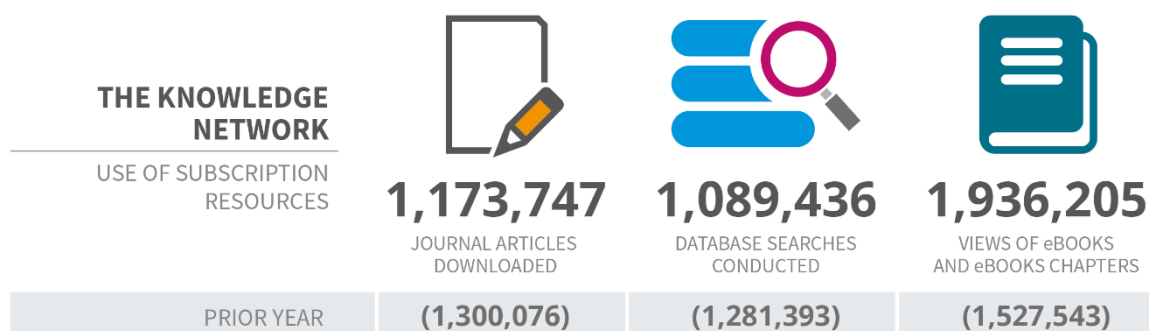
### 2.1) Face-to-Face

We deliver many learning opportunities face-to-face. For example, we provide a growing range of Quality Improvement Training and Leadership courses, designed to enable staff across the public sector to meet the growing and changing demands that are placed upon them, delivering better systems and better care for everyone.



## 2.2) Online

Through a blend of web-based resources, we continue to put information at users' fingertips. This year, we delivered our Knowledge Network, while migrating more resources away from separate websites to our one-stop digital platform, Turas (see 3.3).



From April 2019 the composition of the resources available changed with a reduction in journal articles overall, but with the ability to request those items with low usage figures from the British Library instead. Although, it should be noted that publishers and providers have generally moved to a new reporting method, COUNTER5 standard, which has meant that some data is not available at present or the recording is slightly different, therefore these two years are not directly comparable. We have also added a new service to the library, BMJ Case Reports, which allow NHSS staff to publish reports. Since August six Case Reports have been accepted with two still under consideration.

## 2.3) Animation

Animations are particularly effective in simplifying complex ideas and setting the tone for content in a highly accessible way. Animated content is also extremely memorable, increasing retention as well as engagement. Animations are a good example of micro-learning, helping busy staff to fit learning into their working day.

## 2.4) Webinars

Webinars allow us to use technology to deliver learning across the country efficiently, eliminating the cost of travel, and supporting participants in remote and rural areas who otherwise might not be able to access training at all.

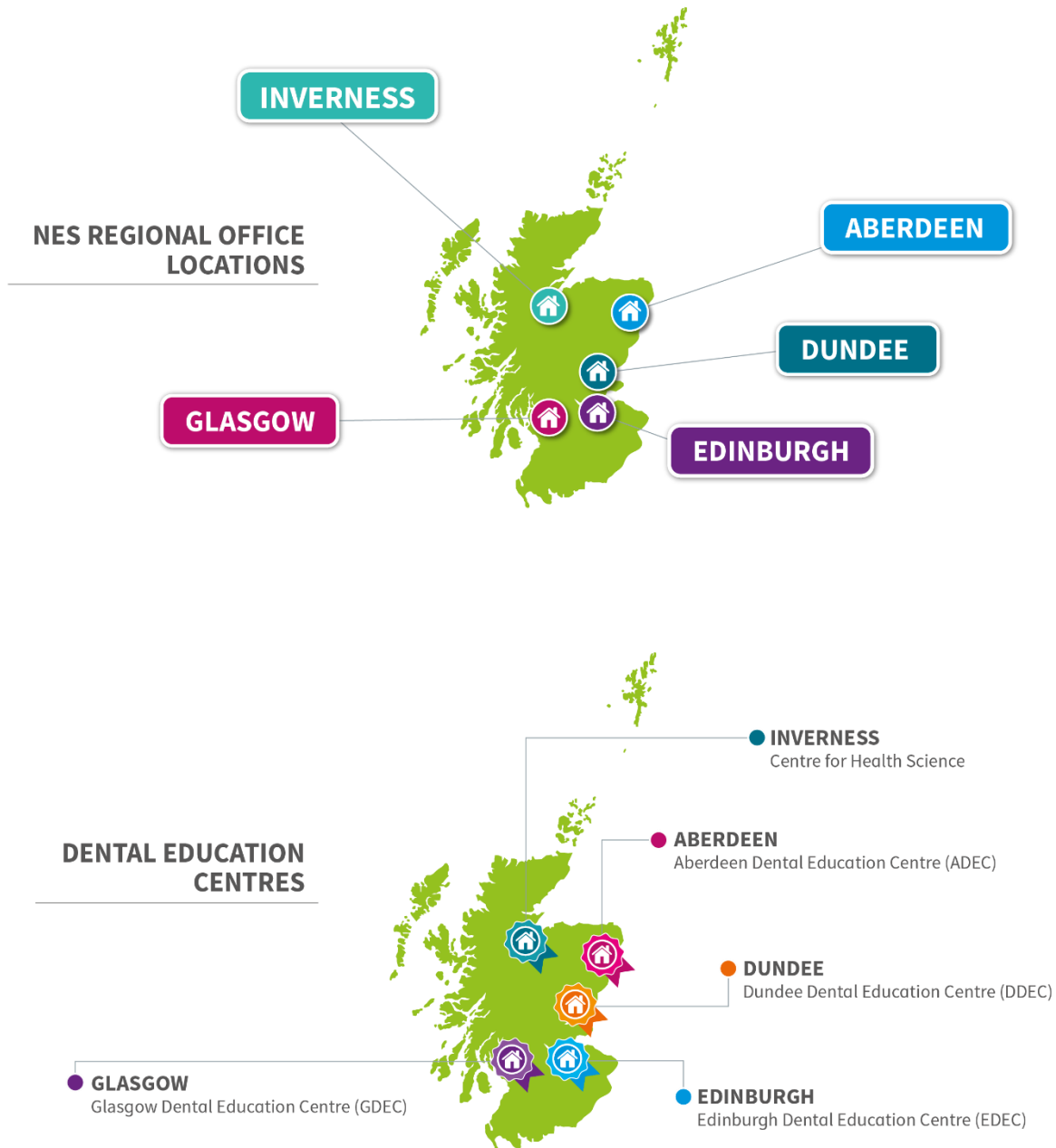
## 2.5) eModules

The use of eModules as a mode of delivering learning is steadily increasing. Their interactivity makes them more attractive to many staff, and because they are delivered digitally, they allow easy recording of learning credits.

### 3) Provision of physical, people and digital infrastructures

#### 3.1) Physical Infrastructure

Although an increasing proportion of our work is delivered digitally, our bases across Scotland still play an important role, providing training facilities and supporting training programme management.



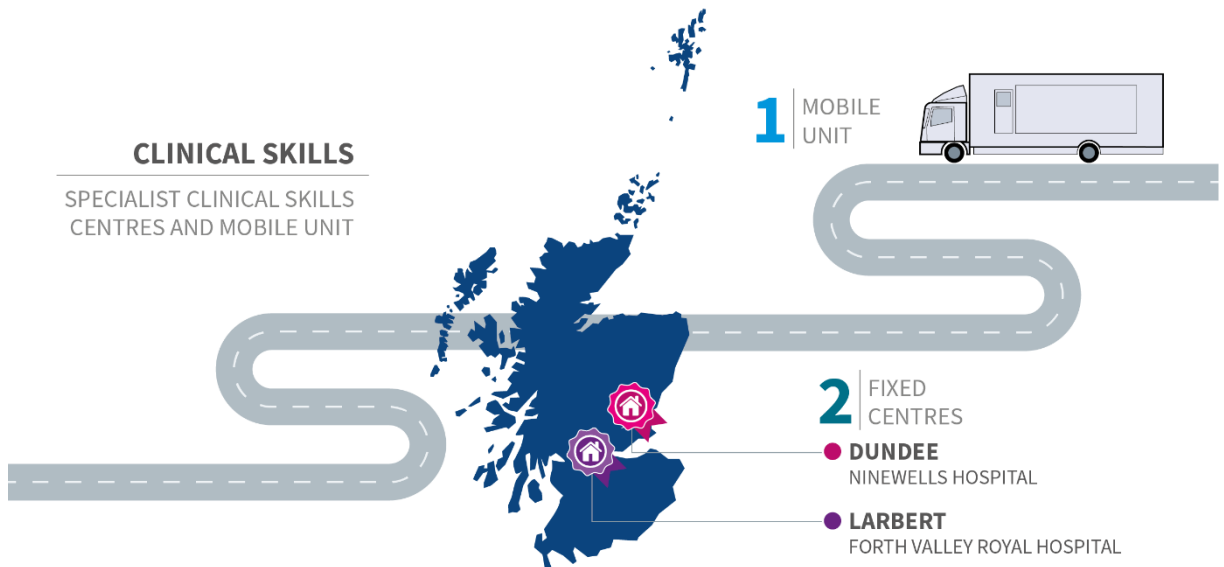


The Teach and Treat centres we support provide teaching opportunities for undergraduate and post-graduate practitioners.



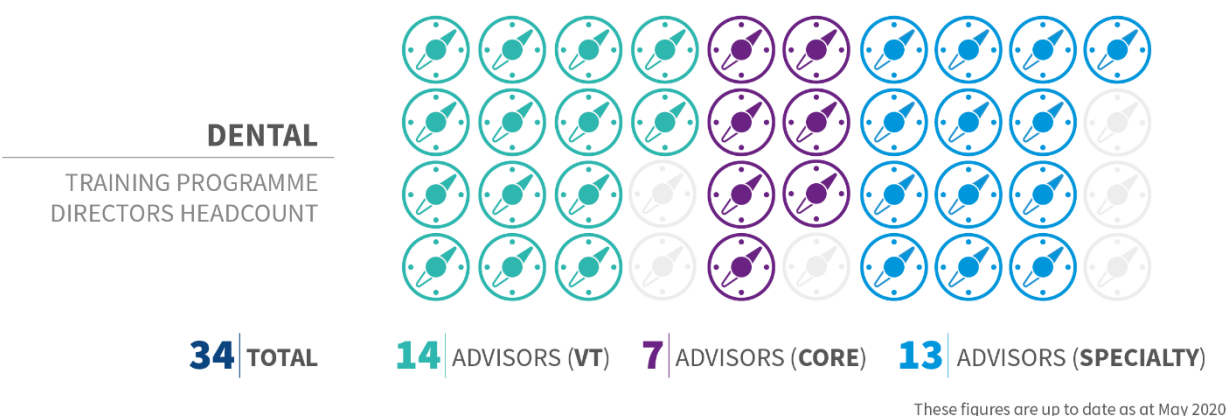
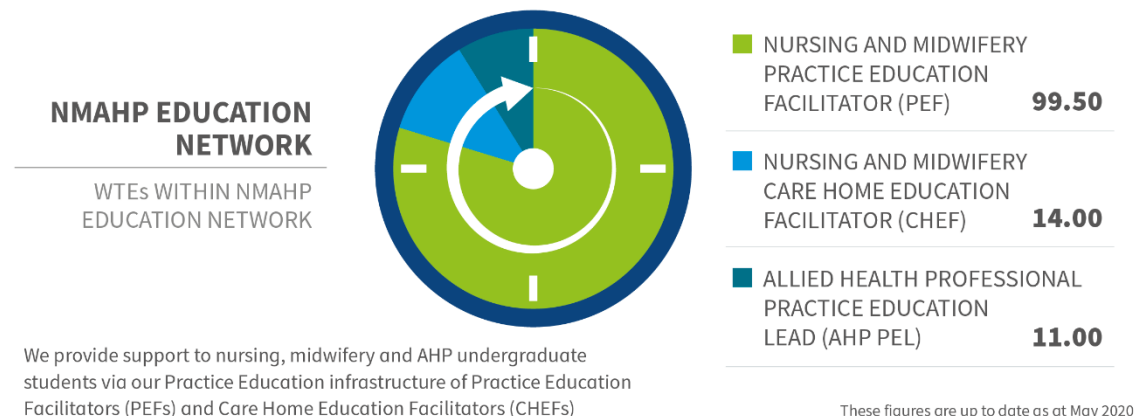
These figures are up to date as at May 2020

We also support specialist clinical skills centres and provide a mobile unit which supports training in remote and rural locations. Our Clinical Mobile Skills Unit, which supports training across the country, facilitated the training of 1,104 people (954 NHS staff; 45 emergency services (Coastguard, Fire and Police); 105 other).



### 3.2) People Infrastructure: Trainers and Educators

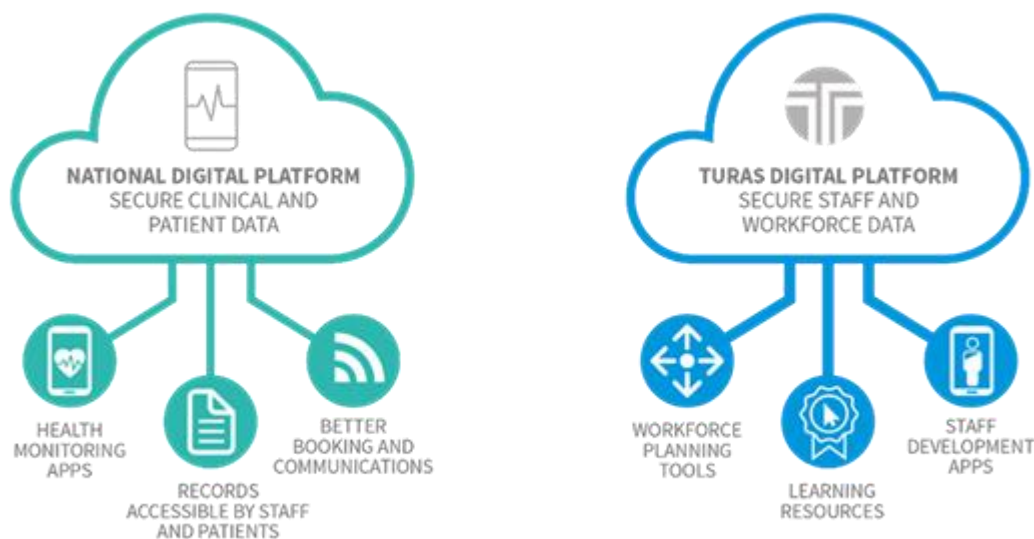
We have a network of staff who work for us across Scotland. These staff manage training programmes, facilitate placements, support practice education and provide an infrastructure to ensure that our training meets regulatory requirements.



The Advisors (VT) support the one-year Vocational Training programme, which graduates must satisfactorily complete to enable them to be eligible to work as an associate Dental or principal in NHS General Dental Practice. Advisors (Core) support trainees who successfully apply to enter the Hospital and Public Dental Service through a core training placement. The Advisors (Specialty) support Dentists who are undertaking Specialty Training.

### 3.3) Digital Infrastructure

Considerable work has been done in consolidating the NES digital architecture. Last year the Scottish Government commissioned the establishment of the NES Digital Service (NDS) to develop a national digital platform for clinical data. NDS has been creating the necessary foundation infrastructure for clinical and patient-focused applications through the development of applications designed for clinical settings. These include the Respect Application designed and built in collaboration with NHS Forth Valley. This approach aligns with the TURAS platform, which delivers NES services to workforce and business users across health and care in Scotland.



The TURAS platform, our staff and workforce focused digital platform, provides over twenty applications that are accessible from any device, regardless of employer or geography, which continues to promote better integration of services and the information needed to develop and run them. The use of Agile development methodology promotes an iterative approach to design with an emphasis on constant improvement and a focus on the needs of the end user.

In the last year we have successfully planned, built and rolled out the Turas Data Intelligence (TDI) application; a single, linked, open data and reporting platform in support of Health & Care workforce data. This delivers workforce planning tools, and the provision of the Scottish Government official NHS Workforce Statistical service. NES Digital redesigned and oversaw the delivery of the Computer Assisted Job Evaluation (CAJE) system and, working with NHS Boards Scottish SMEs developed a single TURAS based Learning Record. This single Learning Record allows multiple learning applications access to each individual learning record for NHS staff across Scotland. This is in addition to the continued enhancement and development of core TURAS applications that support NES's strategic outcomes, including Turas People, Learn, TPM, Portfolio and Appraisal.

With the developing National Digital Platform there is a growing product and service portfolio, including the digital ReSPECT anticipatory care planning process that went live in Forth Valley in March 2020.

### 3.3) Digital Infrastructure (continued)

#### The growing Turas application family:

<b>TURAS</b>		APPLICATIONS AND REGISTERED USERS
TURAS LEARN	349,813	
TURAS APPRAISAL	207,106	
TRAINING PORTFOLIO	63,659	
PROFESSIONAL PORTFOLIO	49,954	
TURAS TPM	33,949	
TURAS PEOPLE	23,051	
TRAINING PORTFOLIO WALES	16,780	
TURAS 360 TOOL	10,064	
TRAINING PORTFOLIO NI	8,886	
PROJECT LIFT	7,254	
TRAINING PORTFOLIO MALTA	3,381	
TURAS DATA INTELLIGENCE	3,033	
TURAS TPM WALES	2,632	
TURAS TPM NI	1,954	
TURAS TPM MALTA	882	
TURAS JOB EVALUATION	707	
TURAS CONNECT	557	
LEADERSHIP 360	372	
TURAS QUALITY MANAGEMENT	366	
TURAS FNP	270	
TURAS FEEDBACK	263	

The expenditure relating to the activities in 1) to 3) is reflected in the Statement of Comprehensive Net Expenditure and Notes to the accounts numbered 3 to 6 which are summarised below:



The Direct Educational Expenditure in Note 4 of £375,463k (2019: £352,371k) flows to Health Boards and Medical and Dental General Practices. The expenditure relating to Educational Support in Note 5 of £48,612k (2019: £44,543k) is predominantly paid to NHSScotland Health Boards and Scottish Universities.

## Developments in our Operating Environment

We are responsive to changes in our operating environment and, as our role has grown to meet the increasingly challenging workforce pressures faced by health and social care, this has been reflected in both our annual activity and in the priorities within the NES Strategic Plan 2019-2024.

NES has continued to transform the use of digital technology, placing the user at the centre, and adopting cloud technologies which provide access anywhere from any device at any time. During 2019/20 this has included further development of solutions to support workforce and business services, including: Procurement of a national e-Rostering solution to the stage where a preferred supplier has been identified; replacement of the NHSS Job evaluation system and development of Once for Scotland workforce Policies; the further development of TURAS Intelligence to join up workforce supply side data; and provide analysis to inform workforce planning. During 2019/20 NES also became the provider of the National Workforce Statistics, which are published on an annual basis.

The NDS is progressing the development of a national digital platform as set out in Domain E of the Scottish Government's "Digital Health and Care Strategy for Scotland". This includes the digital ReSPECT anticipatory care planning process that went live in Forth Valley in March 2020.

The outbreak of COVID-19 towards the end of the financial year radically changed our operating environment, resulting in the activation of our Business Continuity Plan and Incident Management response. Major elements of our normal activities have been stood down as resource has been redeployed to support activities such as: the development of the Accelerated COVID-19 Recruitment Portal; the rapid development and deployment of large volumes of new targeted on-line training resources; and the development of the SMS shielding support service, which has enabled around 35,000 vulnerable households to access food.

## Key Issues and Risks

The NES Board maintains an overview of the main issues that impact on our operating environment, and the risks to the achievement of our organisational objectives, by ensuring our corporate Risk Register is a standing item at each meeting of the Board. During 2019/20 we continued to focus on the strategic, operational, financial, and governance risks. The main risks that have been highlighted are in relation to budget constraints, and in particular the increasing pressure to deliver more with fewer resources. This relates to both internal cost pressures and the collaborative working by National Boards to deliver additional savings. The Risk Register also reflects the context in which we are operating, and therefore reflects the challenges that are evident in recruiting and retaining a workforce in a number of key areas.

In the last few weeks of 2019/20 the emergence of COVID-19 has created a set of new risks, which have been reviewed by the Audit Committee and the Board as the NES response to the pandemic has developed.

## Performance Analysis

NHS Education for Scotland measures performance against a varied set of key financial and non-financial performance indicators.

### **1.1) Financial Performance and Position**

The Scottish Government Health and Social Care Directorate (SGHSCD) sets two budget limits and a cash target at a Health Board level on an annual basis. These limits are:

- Revenue Resource Limit (RRL) - a resource budget for ongoing operations split between core and non-core. Non-core is for accounting adjustments which do not require a cash payment, such as depreciation or annually managed expenditure, where a provision is created for a potential future liability. All other budgets are considered to be core. Any underspend on non-core RRL cannot be carried forward to future years. Further detail can be found in the Summary of Resource Outturn.
- Capital Resource Limit (CRL) – a resource budget for net capital investment, split between core and non-core. In 2019/20 all the NES CRL was core: and
- Cash Requirement – a financing requirement to fund the cash consequences of the ongoing operations and net capital investment.

The performance of NES against each of these limits is set out in the table below:

	Limit as set by SGHCD	Actual Outturn	Variance (Over)/ Under
	£'000	£'000	£'000
Revenue Resource Limit - Core	500,513	500,261	252
Revenue Resource Limit - Non Core	1,199	1,199	0
<b>Total Revenue Resource Limit</b>	<b>501,712</b>	<b>501,459</b>	<b>252</b>
Capital Resource Limit - Core	1,935	1,901	34
Cash Requirement	498,431	498,431	(0)

## Memorandum for In-Year Outturn

Memorandum for In-Year Outturn	
	<b>£'000</b>
Core Revenue Resource Variance in 2019/20	252
Financial Flexibility : funding provided by Scottish Government	0
Underlying Surplus against Core Revenue Resource Limit	<b>252</b>
Percentage	<b>0.05%</b>

The Board's outturn is an underspend on RRL of £0.252m (equivalent to 0.05%). The three-year financial planning and performance cycle allows Boards to build in a one per cent flexibility for planned projects and, although NES did not plan for any underspend, it has been confirmed that this level of underspend can be carried forward into 2020/21.

### 1.2) Summary of key items from the Financial Statements

#### Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the Financial Reporting Manual (FRM). The Accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced at Page 56 to these accounts.

The statement of the accounting policies, which have been adopted by the organisation, is shown at Note 1.

#### Going Concern Basis

Under these accounting arrangements, Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the SGHSCD. This has resulted in net liabilities on the Statement of Financial Position. The Statement of Financial Position reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. The COVID-19 pandemic has not impacted on this policy commitment from Scottish Government and, accordingly, the accounts have been prepared on the going concern basis.

#### Outstanding Liabilities

NES has recognised a dilapidation liability of £4,033k (2019: £3,984k) for leased premises. This provision is based on the outcome of dilapidation assessments and relates to occupied premises in Glasgow, Edinburgh, Aberdeen and Inverness. Further information is in Note 13a.

#### Legal Obligations

There are currently four on-going legal cases which are reflected in the Accounts within the CNORIS provision. CNORIS is the Clinical Negligence and Other Risk Indemnity Scheme on behalf of the NHS in Scotland. Further information on the £143k provision is in Note 13b.

## Prior Year Adjustments

There are no prior year adjustments.

## Significant Changes in Non-Current Assets

### Intangible:

NES invested £995k in intangible assets, this included: the TURAS job evaluation tool to replace the existing system and reduce the associated licencing costs; the National Digital Platform being created by NDS as detailed in Domain E of Scottish Government's "Digital Health & Care Strategy for Scotland"; a 360 feedback tool, which can be analysed digitally across all of NHSS; and Quality Management software for Pharmacy, which allows the experiential learning provided to Pharmacy Students, and training provided to Pre-Registration Pharmacists, to be monitored and reviewed.

### Property, Plant and Equipment:

NES has invested £589k in Digital Hardware including: Surface Hubs, which allow and enhance virtual meeting facilities; the upgrading of Video Conferencing facilities; and Digital Switches to improve the resilience of our network. We also invested in simulation technology for Dental training where Haptic simulation can assess, analyse and feedback performance data to the learner; and for Optometry integrated virtual reality technology, which simulates the anatomical structures of the eye and enables safe training in gonioscopy, an essential skill in managing glaucoma and hypertension.

## Pension Liabilities

The accounting policy note for pensions is provided in Note 1. The disclosure of the expenditure is shown within Note 15, and also in the Remuneration Report.

## Post Statement of Financial Position Items

There are no post Statement of Financial Position items

## Impact of Lead Employer Arrangements

Within these accounts we have approximately £39m of expenditure (2019: £24m) relating to NES as one of four Lead Employers for all Doctors in Training within NHSScotland. Prior to 2018/19 NES employed GP Trainees whilst they were in a practice placement. In 2018/19 that was extended to include all GP Trainees for the duration of their training programme, including hospital placements. In 2019/20 this was further extended to include all National Programme Trainees in NHSScotland.

The impact of this is reflected in the Statement of Comprehensive Net Expenditure (SoCNE) in staff expenditure and income. The expenditure relating to GP Trainees, whilst they are in a hospital placement, and National Programme Trainees is recharged to the Placement Health Board. The increase in expenditure reflects the National Trainees that we have on board and is offset by an increase in income from NHSScotland bodies. We are also reporting an increase in staff composition as a result of this.



### 1.3) Performance Against Key Non-Financial Targets

#### Payment Policy

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

Actual performance in respect of non-NHS Trade Creditors is reported in the table below:

NON-NHS SUPPLIERS	2019/20	2018/19
AVERAGE CREDIT TAKEN	7 days	10 days
% OF INVOICES (BY VALUE) PAID WITHIN 30 DAYS	98%	91%
% OF INVOICES (BY VOLUME) PAID WITHIN 30 DAYS	98%	95%
% OF INVOICES (BY VALUE) PAID WITHIN 10 DAYS	89%	79%
% OF INVOICES (BY VOLUME) PAID WITHIN 10 DAYS	93%	88%

#### Staff Engagement and Staff Governance

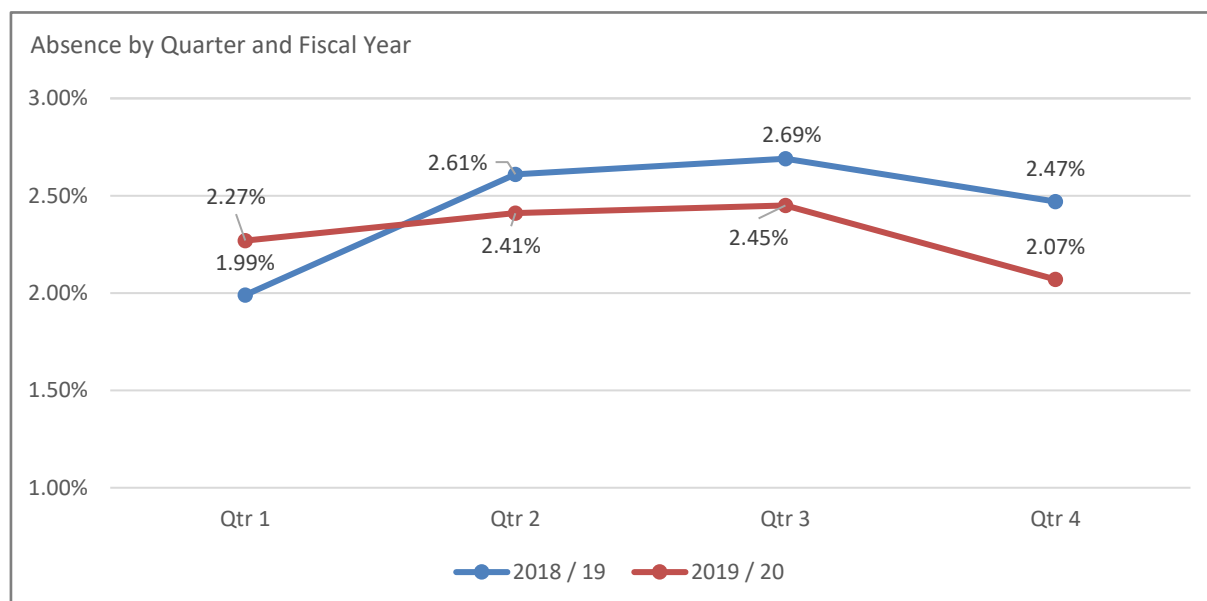
The Employee Engagement Index, which is generated from the annual staff survey “iMatter”, is the key performance measure in this area. It aligns with the Staff Governance Standard i.e. Well Informed, Appropriately Trained, Treated Fairly and Consistently, Involved in Decisions, and operating within a Health, Safety and Wellbeing environment. The diagram below highlights performance across all areas for 2019/20. Each element shows an improvement from 2018/19 results.

**NES iMatter: employee response rate; employee engagement index score; and action plans agreed.**



NES continues to score well for iMatter outcomes, compared to the NHSScotland average.

### NES Core Staff Absence by Quarter during 2019/20 (this excludes GP Trainees and National Programme Trainees)



Our absence rates remain steady at an average of 2.3% for 2019/20 (2018/19: 2.44%) which compares favourably to the NHSScotland average of 5.39%.

### NES Essential Learning Completion Rates in 2019/20

Staff are encouraged and supported to ensure they invest in their own personal development, as well as those areas which are considered essential learning. The uptake levels across those essential learning programmes are noted below:

Essential Learning	Q1 2019/20	Q2 2019/20	Q3 2019/20	Q4 2019/20
Counter Fraud	88%	93%	92%	95%
Equality & Diversity	87%	90%	90%	93%
Health & Safety	64%	68%	68%	67%
Information Governance	83%	90%	90%	93%

In line with our Agile and SMARTER working policies, and to better reflect the hazards and risks associated with our way of working, NES staff will now complete the new Workrite Agile module instead of the Health & Safety module. This module includes elements for office, home, and remote working, as well as a DSE workstation assessment.

### Social Matters

As a public body NES's requirements in respect of Social Responsibility are encompassed within the Scottish Government's Fair Work Requirements and are reflected in our education delivery and application of the Staff Governance Standard. NES is committed to applying the highest standards of ethical conduct and integrity in its business activities. Every employee and individual acting on NES's behalf is responsible for maintaining the organisation's reputation, and for conducting NES business honestly and professionally.

NES considers that bribery and corruption have a detrimental impact by undermining good governance. Transparent, fair conduct helps to foster trust between NES and our partners, and is vital for our reputation and future growth. NES has issued revisions to the Standards of Business Conduct Policy, incorporating Hospitality Guidance, which outlines our position in relation to preventing and prohibiting bribery, and reporting suspected instances of bribery.

### **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, 5 years in advance of the rest of the UK. Clear interim targets of a reduction of greenhouse gases have been set to 56% by 2020, 75% by 2030 and 90% by 2040.

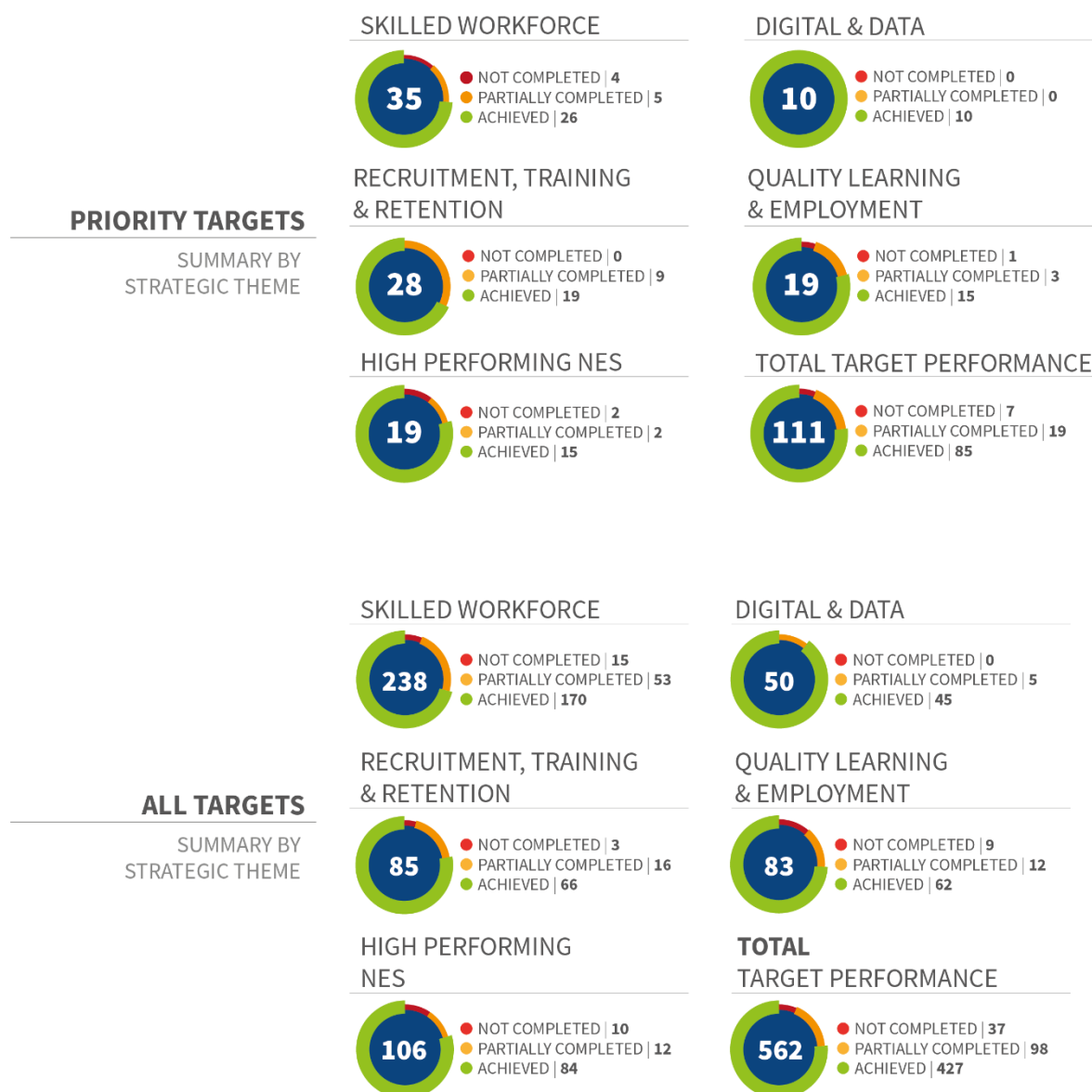
As required by the Scottish Government, NES has provided an annual report to the Sustainable Scotland Network detailing those actions taken within the organisation in order to support the duties imposed by the Act, as well as the amended longer-term target. A report has been submitted for 2019/20 outlining performance against key indicators, which will be published on the Sustainability Action website in 2020. 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: <http://sustainableScotlandNetwork.org>.

#### **1.4) Performance Against Key Operational Targets during 2019/20**

##### **Operational Performance Management**

For 2019/20, the NES Board agreed our Local Delivery Plan and detailed Operational Plan. The detailed Plan for 2019/20 contained 562 performance targets, of which 111 were designated as priority targets. Achievement of these targets is monitored through an integrated planning and performance management system, where all targets are linked to one of the NES five strategic themes set out in our Strategic Framework 2019-24. Performance updates are provided on a quarterly basis and reported to the Finance and Performance Management Committee, and the NES Board.

The 2019/20 targets by strategic theme are shown below.



During 2019/20, 427 (76%) of all targets were achieved, 98 (17%) were partially completed, and 37 (6%) were not completed. Within the priority targets during 2019/20, 85 (76%) priority targets were achieved, 19 (17%) priority targets were partially achieved, and 7 (6%) priority targets were not achieved.

Of the seven priority targets that were not achieved two related to Workforce. Despite significant improvement during 2019/20, the target to ensure 100% of eligible staff had a meaningful appraisal and completed all Essential Learning had completion rates of 79% for Appraisals and 79.1% for all Essential Learning. The achievement of the target to deliver and further develop early leadership careers development approaches was impacted by the COVID pandemic, as the Scottish Clinical Leadership Fellow scheme was suspended and Fellows transitioned back into service delivery roles.

A further two targets related to Digital were not met in the planned timescales. The interface development required between the Scottish Standard Time System and current e-Rostering systems was delayed due to the availability of the appropriate technical resource from an external service provider. The target to achieve accreditation with ISO27001 and Cyber

Essentials Plus has been delayed due to difficulties in the recruitment of an Information Security post, despite 2 rounds of recruitment.

A Medical target to appoint up to 10 GP-SIPs (Stay in Practice) at an average of 6 sessions per week was not met due to a lack of demand. The Optometry team designed and gained SQA approval for a programme of education and training to support the management of Ocular Hypertension and Glaucoma by Scottish Optometrists. The target was to deliver this to a cohort of 30 however, due to a reduction in funding, only 22 places could be offered. The NMAHP Directorate tested and evaluated innovative models for at least 5 Return to Practice placements across integrated teams. However, although the placements available have been advertised, as at 31 March 2020 no applications have been received.

The following key non-financial targets reflect the main areas of NES activity as outlined in the Performance Report Overview.

#### 1.4.1) Recruitment To and Progression Through Key Training Programmes

As detailed in Note 4 of the Annual Accounts, £272m of the NES budget directly supports post-graduate training across Scotland.

NES works with the Scottish Government and NHSScotland Boards to increase the attractiveness of Scotland as a training location. NES is one of four lead employers for trainees for the duration of their training programme, cutting the paperwork and costs for Doctors and NHSScotland, since they no longer need to change employer every 6-12 months.

MEDICAL TRAINING GRADES	Posts Advertised	Posts Accepted	% Accepted	% Posts filled against establishment
RECRUITMENT TO FOUNDATION	848	841	99%	99%
RECRUITMENT TO CORE TRAINING	326	301	92%	96%
RECRUITMENT TO SPECIALIST TRAINING	805	742	92%	98%

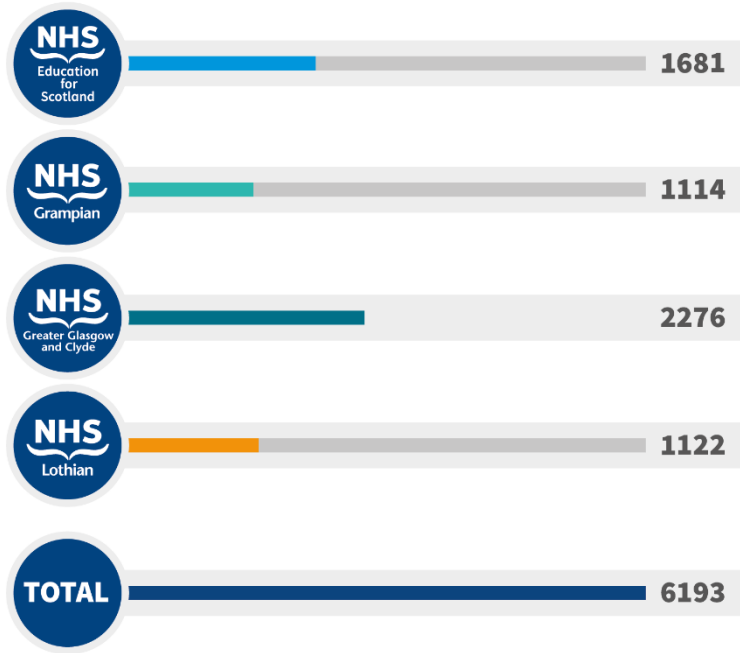
With the British Medical Association (BMA), Boards and the Scottish Government, NES participated in several working groups to identify ways to increase flexibility and wellbeing, and reduce fatigue for Doctors in Training. These groups delivered their recommendations during 2019/20.

We continue to support the four Lead Employer model in Scotland where Doctors in Training do not need to change Employer as they progress through their training rotations. In February 2020 NES became the lead employer for all Trainee Doctors on cross-regional and national programmes working in specialist centres across Scotland.

We continue to support the expansion of undergraduate numbers and widening access to students from disadvantaged backgrounds.

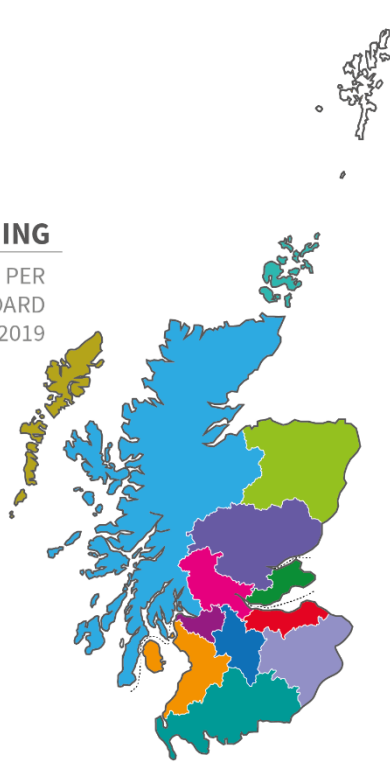
**DOCTORS IN TRAINING**

TRAINEES PER  
EMPLOYING BOARD  
AUGUST 2019



**DOCTORS IN TRAINING**

TRAINEES PER  
PLACEMENT BOARD  
AUGUST 2019



NHS Ayrshire and Arran	262
NHS Borders	70
NHS Dumfries and Galloway	74
NHS Fife	224
NHS Forth Valley	204
NHS Grampian	620
NHS Greater Glasgow and Clyde	1733
NHS Highland	146
NHS Lanarkshire	404
NHS Lothian	1086
National Facility	6
Golden Jubilee	24
NHS Education for Scotland	776
NHS Shetland	8
NHS Tayside	545
NHS Western Isles	11
<b>TOTAL</b>	<b>6193</b>

Within Dentistry, graduates must satisfactorily complete a one-year Vocational Training (VT) programme to enable them to be eligible to work as an associate or principal in NHS General Dental Practice. The target for vocational training is to provide a sufficient number of places, which at least matches the output of the Dental Schools in Scotland, where those students wish to train in Scotland.

After Vocational Training Dentists can progress to Dental Core and then to Specialty Training. NES also provides training for Dental Nurses and funds training for Dental Therapists.

<b>DENTAL TRAINING GRADES</b>	<b>Target</b>	<b>Actual</b>	<b>% Achieved</b>
RECRUITMENT TO DENTAL VOCATIONAL TRAINING	155	151	97%
RECRUITMENT TO DENTAL CORE AND SPECIALTY TRAINING	134	128	96%
PRE-REGISTRATION TRAINING FOR DENTAL NURSES	160	129	81%
DENTAL HYGIENE/THERAPY STUDENTS	45	45	100%

NES is responsible for the pre-registration training of Psychologists for the NHS in Scotland, and has a commissioning and direct delivery role.

<b>APPLIED PSYCHOLOGY</b>	<b>Target</b>	<b>Actual</b>	<b>% Achieved</b>
CLINICAL PSYCHOLOGIST TRAINEES' COMPLETION	54	54	100%
PSYCHOLOGICAL THERAPIES IN PRIMARY CARE	30	28	93%
APPLIED PSYCHOLOGY FOR CHILDREN AND YOUNG PEOPLE	30	28	93%
NEUROPSYCHOLOGY PROGRAMME	28	28	100%

NES funds Clinical Scientists who are post-graduate scientists across a range of disciplines in Diagnostic Laboratories, Medical Physics and Clinical Physiology, typically on three-year programmes leading to Health and Care Professions Council (HCPC) registration. Other post-graduate scientist trainees are bursary-supported by NES.

<b>HEALTHCARE SCIENTISTS</b>	<b>Target</b>	<b>Actual</b>	<b>% Achieved</b>
PRE-REGISTRATION CLINICAL SCIENTISTS	20	20	100%
POSTGRADUATE SCIENTISTS IN SERVICE	31	31	100%

In Scotland there is currently a four-year degree programme for Pharmacy, which must be followed by a pre-registration year. Successful completion of this pre-registration year and passing the General Pharmaceutical Council (GPhC) registration assessment allows registration as a Pharmacist.

<b>PHARMACY</b>	<b>Target</b>	<b>Actual</b>	<b>% Achieved</b>
PRE-REGISTRATION PHARMACY	200	200	100%

### 1.4.2) Providing Educational Resources and Learning Materials

The activities detailed below provide an indication of the range of resources developed to meet key performance targets in this area.

- We provided 19,786 hours of verifiable Continuing Professional Development (CPD) for the Dental team;
- We trained a further 112 Pharmacists in advanced practice to support General Practice;
- We provided 195 sessions of in-practice quality improvement training for Dental teams;
- We passed the milestone of 500 new health visiting posts;
- We supported 107 Pharmacists on independent prescribing courses;
- We delivered on the commitment for an additional 500 Advanced Nursing Practitioners with 679 enrolled on the Post-graduate Diploma;
- We provided a comprehensive national programme of training in psychological therapies and interventions: 29 events took place, comprising 497 training places for staff in forensic mental health, substance misuse, adult and older adult mental health services;
- We delivered a training programme to 311 new CAMHS staff to increase workforce capacity;
- Support for 156 Early Years practitioners, including: practice support; coaching; “Incredible Year”; and “Triple P” training;
- We delivered 889 short courses, 216 residential courses and 396 practice-based small group learning places to General Practice Nurses; and
- 98 participants completed the Dementia Champions programme for health and social care staff, taking the total number to over 1,000.

### 1.4.3) Providing National Infrastructure

The infrastructure provided by NES has three different elements: Physical; People; and Digital. Some of the key activities that supported the delivery of targets in this area for 2019/20 are detailed below:

#### Physical Infrastructure

- We provided learning and training oversight, and services across Scotland, through our offices in Inverness, Aberdeen, Dundee, Edinburgh and Glasgow;
- We supported 17 Dental and three Optometry Teach and Treat centres, providing teaching opportunities for undergraduate and graduate practitioners; and
- We supported two specialist clinical skills post centres and a Mobile Skills Unit, which enables training in remote and rural locations.

#### People Infrastructure

Our network of staff across Scotland manage training programmes, facilitate placements, support practice education, and provide an infrastructure to ensure that our training meets regulatory requirements.

- In 2019/20 we supported 99.5 WTE Nursing and Midwifery practice Education Facilitators, 14 Nursing and Midwifery Care Home Education Facilitators and 11 Allied Health Professional Practice Education Leads;
- Our Medical Training Programme Directors (TPD) delivered 134 TPD sessions, equivalent to 13.4 WTE posts; and



- Our 34 Dental Training Programme Directors include Dental Vocational Training Advisors, who support the one-year VT programme which Dental Graduates must satisfactorily complete to enable them to be eligible to work as an Associate or Principal in NHS General Dental Practice. Advisors (Core Training) support trainees who successfully apply to enter the Hospital and Public Dental Services through a core training placement.

### Digital Infrastructure

NES has continued to invest in the development of Turas (the NES unified digital platform), which forms the foundation of all NES's future delivery of digital and information services. Many of the targets achieved support either the Health and Social Care delivery plan or the National Health and Social Care Workforce Plan (Part 1). We have also invested in the initial development of the National Digital Platform in support of Domain E of the Health and Social Care Delivery Plan.

- During 2019/20 we have continued to develop and enhance core TURUS applications: TURAS People, to support the lead employer model for Doctors in training by joining up the training and employment journey; Turas Appraisal, which replaced eKSF across NHSScotland, as the national electronic application for recording summaries of annual Personal Development Planning and Review (PDPR); TURAS Learn, the NES platform for learning and support resources, which provides NHSScotland health and social care staff with access to learning and practice support resources;
- We planned, built, and rolled out TURAS Data Intelligence application, a single, linked open data and reporting platform in support of Health and Care workforce planning. This provides workforce planning tools and the delivery of the Scottish Government's official Workforce Statistical service;
- We designed and oversaw delivery of a new job evaluation system for NHSS;
- Despite challenges brought on by price increases and changes to VAT regulations, we have continued to provide an excellent range of resources on the Knowledge Network for health and care staff with nearly 1.2m journal articles downloaded, 1.1m database searches conducted, and 1.9m views of eBooks;
- We continue to collaborate with colleagues in other public sector organisations, sharing our experience, technology, and products to support digital transformational activity across organisational boundaries;
- ReSPECT is a nationally recognised anticipatory care planning process that has been developed through a design process supported by the Resuscitation Council. The product went live in NHS Forth Valley in March 2020, being available both on the platform as a read/write service, and viewable through the NHS Forth Valley portal;
- NDS was commissioned by the National Eyecare Workstream to deliver the OpenEyes product as a new 'Once-for-Scotland' shared ophthalmology patient record. In response to COVID-19, development was refocused on a solution to support the Eye Casualty Service, and focus will expand to Glaucoma (because of the demographic risks in a post-Covid context); and

- In March 2020 NDS delivered the SMS shielding support service, which had over 80,000 validated users, and around 35,000 households receiving food support through the service.

All of the work described above has been achieved within the financial limits set by the Scottish Government, and is due to the continued commitment and dedication of our staff. Our staff engagement scores and absence rates indicate that people find NES a rewarding place to work. As Acting Chief Executive, I am content with the performance of the organisation during 2019/20.



**Acting Chief Executive**

# Accountability Report

## Corporate Governance Report

### 1) Directors' Report

#### Date of Issue

Audited financial statements were approved and authorised for issue by the Board on 25 June 2020.

#### Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Grant Thornton UK LLP to undertake the audit of NHS Education for Scotland for the financial years 2016/17 to 2020/21. The Auditor General has indicated an intention to extend this appointment through to the audit of the 2021/22 year. This will be confirmed in Autumn 2020. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland.

#### Board Membership

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

The Board has collective responsibility for the performance of the organisation as a whole, and reflects the partnership approach, which is essential to the achievement of the organisation's objectives.

**Non Executive Board Members**

<b>NAME</b>	<b>POSITION</b>	<b>DATE OF APPOINTMENT</b>
<b>MR D GARBUTT</b>	Chair	Apr-18
<b>MS E FORD</b>	Employee Director (Retired 31 Mar 20)	Apr-08
<b>DR D STEELE</b>	Member and Vice Chair from Oct 18	May-13
<b>MR D HUTCHENS</b>	Member	Mar-15
<b>DR A TANNAHILL</b>	Member (Retired 30 Apr 19)	May-13
<b>MRS L DUNION</b>	Member	Jun-18
<b>MS A WALKER</b>	Member	Jun-18
<b>MS A CURRIE</b>	Member	Sep-18
<b>MRS J FORD</b>	Member	May-19
<b>MS V NAIRN</b>	Member	May-19
<b>MRS G MAWDSLEY</b>	Member (Whistleblowing Champion)	Feb-20

**Executive Board Members**

<b>NAME</b>	<b>POSITION</b>	<b>DATE OF APPOINTMENT</b>
<b>MS C LAMB</b>	Chief Executive (On secondment to Scottish Government (from 11 Nov 19)	Oct-15
<b>PROF S IRVINE</b>	Deputy Chief Executive and Director of Medicine and then from 11 Nov 19 Acting Chief Executive	Apr-12
<b>MRS A MCCOLL</b>	Director of Finance and from 1 Dec 19 Acting Deputy Chief Executive	Feb-16
<b>MRS K WILSON</b>	Director of Nursing, Midwifery & Allied Health Professions.	Jan-18
<b>PROF R PARKS</b>	Acting Director of Medicine (from 1 Dec 2019)	Dec-19

*Note: Ms C Lamb took up a seconded position with Scottish Government from the 11th November 2019. During her secondment: Prof. S Irvine was appointed Acting Chief Executive; Ms A McColl took on the role of Acting Deputy Chief Executive; and Prof. R Parks was appointed Acting Director of Medicine.*

## 2) Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the 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 Board as at 31 March 2020, and of its operating expenditure for the year then ended.

In preparing these accounts the Members are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State, where applicable, accounting standards as set out in the FReM have not been followed where the effect of the departure is material; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The 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

Details of any material interests of Board Members, senior managers, and other senior staff in contracts or potential contractors with the organisation, as required by IAS 24 "related party disclosures" are disclosed in Note 17.

A Register of Interests is maintained and can be viewed at [www.nes.scot.nhs.uk](http://www.nes.scot.nhs.uk)

### Remuneration for Non-Audit Work

There was no such work performed in the year by the appointed auditor.

### Public Services Reform (Scotland) Act 2010

The information which requires to be published under this Act for 2019/20 can be accessed at [www.nes.scot.nhs.uk](http://www.nes.scot.nhs.uk) from 31 October 2020.

### Personal Data Related Incidents

On 25th September 2019, NES was made aware that an email trail containing personal information about a trainee was inadvertently included in an email trail to 23 individuals. The incident was reported to the Information Commissioner's Office (ICO) and the trainee was informed. NES was notified on 19th November 2019 by the ICO, that on consideration of the information provided, no further action by the ICO was necessary.

On 6th January 2020, NES was notified that a screenshot containing personal information relating to a child and their vaccination history was used in three presentations between September 2018 and 28th October 2019. Two of the presentations were uploaded to YouTube, and one shared via Twitter. The source of the personal information was identified to have come from a presentation given to NHS Scotland Chief Executives by another NHS Board. Following notification, all videos and social media posts were deleted. A notification of awareness was raised with the ICO on 9th January 2020.

### **Disclosure of Information to Auditor**

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

## **3) Statement of Chief Executive's Responsibilities as the 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 Education for Scotland.

This designation carries with it responsibility for:

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

In preparing the Accounts I am required to comply with the requirements of the Government's FReM and addendum for 2019/20 published in particular, to:

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

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

I am responsible for ensuring proper records are maintained, and that the Accounts are prepared under the principles and in the format directed by the Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of the 4<sup>th</sup> December 2019.

## 4) 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. I am also responsible for safeguarding the public funds and assets assigned to the organisation.

### Purpose of Internal Control

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



The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the organisation’s aims and objectives. As such, it can only provide reasonable but 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 financial year, and up to the date of approval of the annual report and accounts.

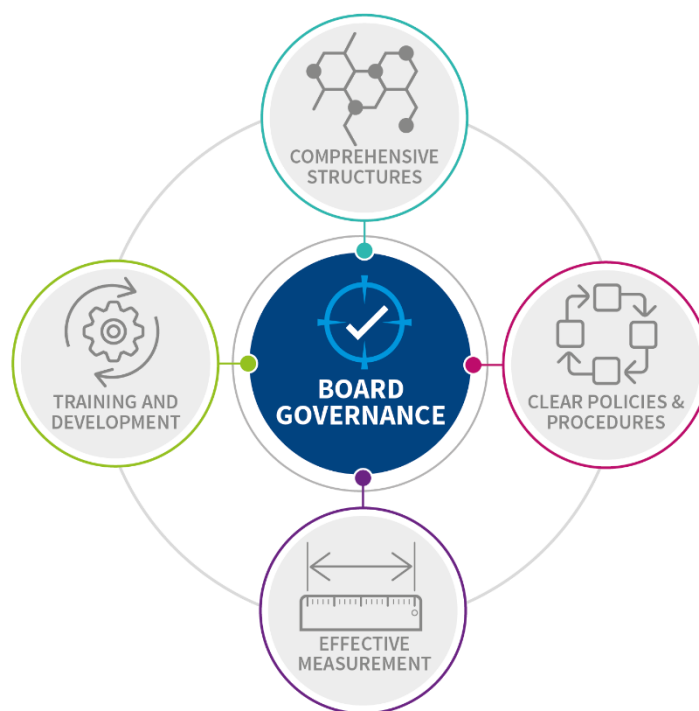
The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements; emphasises the need for efficiency, effectiveness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

### Operation of the Board

NES uses the “NHS Scotland Health Boards and Special Health Boards – Blueprint for Good Governance” – DL (2019) 02. As such NES recognises the importance of robust corporate governance and in turn how this will contribute to the delivery of a consistent, effective, and transparent governance approach across NHS Scotland. NES acknowledges the interdependencies of the three core aspects of the Blueprint’s corporate governance approach, the functions of good governance, and

the enablers and systems required to support it, as part of the organisation's overall Board governance system.

NES has a comprehensive corporate governance framework in place, which includes the following elements:



### Comprehensive Structures

- A clearly articulated Strategic Framework which sets and communicates the Board's vision and intended outcomes covering the period 2019-2024; supplemented by a clearly articulated NES strategy which sets and communicates the Board's vision and intended outcomes covering the period 2019-2024; supplemented by an Annual Operating Plan, all of which are made available to our stakeholders;
- A Performance Management Framework, which records progress against key performance indicators for each planned objective, and which is used to produce regular reports to the NES Board, and the Finance and Performance Management Committee;
- A clearly articulated Educational Governance Framework, which is used to assure the quality of the educational services that we provide and is overseen by the Educational and Research Governance Committee;
- An established structure of standing committees of the Board with clearly defined remits including: Staff Governance; Remuneration (as a sub-committee of the Staff Governance committee); Educational and Research Governance; Finance and Performance Management; and Audit Committees. In relation to the Remuneration Committee, details of the membership and attendance are contained within the Remuneration Report. Details of the membership of all other Committees, their attendance record and coverage of work, is contained in the Governance Framework section of this report;
- The creation of an additional Digital committee of the Board to provide appropriate governance arrangements for NES Digital Activities. This has included the co-opting of committee members with significant expertise in digital development and implementation at scale; and
- The appointment of an additional Non-Executive Board Member whose role includes that of Whistleblowing Champion.



## Clear Policies and Procedures

- Clear definition of the roles and responsibilities of the Board and the Scheme of Delegation set out in Standing Orders, which are reviewed and updated on a regular basis;
- Comprehensive Standing Financial Instructions, and Procurement Regulations, Risk Management Strategy and supporting procedures and manuals, which define how decisions are taken and how associated risks are managed, and which are regularly reviewed and updated;
- Clear Whistleblowing and Complaints policies with annual reporting of complaints to the Board, and with follow-up of recommendations arising from complaints also being reported to the Audit Committee;
- NES will adopt the National Whistleblowing Standards and report annually on any issues;
- Policies and procedures to manage compliance with relevant laws, regulations, and internal arrangements;
- The existence of clear channels of communication with all stakeholders including: Strategic Liaison and Performance Management meetings with the SGHSCD; fortnightly meetings between the Chief Executive of NES and the other National and Regional implementation leads; senior managers involvement in communication and engagement links with Health Boards, Royal Colleges and Regulators; and regular meetings with other stakeholders such as the SFC and SSSC; and
- Joint Action Plans agreed in respect of partnership working with key partners such as the SFC and the SSSC.

## Effective Measurement

- Reliable data from key information systems, which are subject to regular reconciliation, integrity checking and audit; enabling management of the financial resources, human resources and performance of the organisation;
- Regular reports, including the minutes, are sent to the Board from the Chairs of all standing committees after each meeting. A comprehensive annual report from each Committee describing how it has discharged its remit during the year, the impact its work has had on the organisation and identifying areas for development is considered by the Audit Committee as part of its review of the whole system of internal control;
- A process of Board self-assessment using the National Self-assessment Survey. This focuses on how well the Board currently delivers the five functions of governance defined in the 'Blueprint for Good Governance';
- A comprehensive programme of internal audit review to give assurances concerning compliance with relevant laws, legislation and internal policies and procedures; and
- The preparation of an annual report covering the work of the Board.

## Training and Development

- An induction programme for all new Board Members and provision of development opportunities for non-executive directors, which are reported at each Board meeting;
- Participation of Board members in regular development sessions;
- Procedures for identifying and addressing the development needs of Executive Directors via a regular one-to-one meeting with the Chief Executive and formal six-monthly reviews; and
- A culture of continuous improvement, including the adoption of the principles of Best Value, facilitated through the activities of our Organisational Performance Improvement Programme Team and the Senior Operational Leadership Group.

## Assessment of Board Governance

The National Self-Assessment Survey was issued to all members of the Board and was completed by 81% of members. The results were then collated and discussed during a facilitated Board workshop session held 24 April 2019. Whilst the overall results were very positive, there were some improvements identified, which would further enhance the NES Corporate Governance framework.

These areas form the basis of the NES Blueprint for Good Governance Action Plan, which emerged as an output of the workshop session. The Action Plan was submitted to the Cabinet Secretary on 30 April 2019 and endorsed by the full Board at the 29 May 2019 Board Meeting. A progress report against the Action Plan was reviewed by the Board at the 31 October 2019 Board meeting.

The Corporate Governance Framework, including the elements described above, has been assessed against the UK Corporate Governance Code and compliance with the SPFM, and we have not identified any gaps.

## 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:

<b>Executive and Senior Managers</b>	responsible for developing, implementing and maintaining internal controls across their areas;
<b>Audit Committee</b>	evaluation of the assurance arrangements in place, through their review of the development of our Assurance Framework, and their review of the annual reports of all Board sub-committees;
<b>Internal Auditors</b>	who submit regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
<b>External Auditors</b>	who provide an Independent Report to the Audit Committee and the Board.

In reviewing the adequacy and effectiveness of the system of internal control I have taken assurance from the following processes and mechanisms:

- Assurances from each Director that there have been no significant or un-investigated breaches of controls in their Directorate;
- The production of an annual report from each Standing Committee of the Board to the Audit Committee containing a self-reflective evaluation of the way in which they have discharged their remit during the year and the impact of their work. Information is also included on any external reviews or other evidence which they have received;
- The work of the Audit Committee in receiving reports from the Internal Auditors and producing an annual report to the Board which pulls together all sources of assurance, including the annual reports from the other governance committees of the Boards, and which provides overall assurances to inform this Governance Statement;
- The work of the Audit Committee in considering the arrangements which the organisation has in place to secure Best Value, and the work in reviewing all Counter Fraud activity including anti-bribery and corruption provisions;

- Consideration by the relevant Board Committees and the Executive Team of all internal audit reports and follow up of any areas of concern;
- The work of the NES Board in considering the corporate Risk Register at each of its meetings;
- The work of the NES Board in the development of an Assurance Framework, identifying key sources of assurance for corporate functions, and the subsequent gap analysis and creation of an action plan for further improvements in Corporate Governance;
- The consideration by the NES Board of its formal report covering the way in which it has discharged its remit during the year;
- The opinion of Internal Audit that NES has a framework of controls in place that provide reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks;
- The work of Internal Audit, who submit regular reports to the organisation's Audit Committee, which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control, together with recommendations for improvement, scrutiny of responses from management in response to recommendations made by both internal and external auditors, and follow up to demonstrate that agreed actions are implemented timeously; and
- The opinion expressed by External Audit in the Independent Auditor Report and the actions to address any comments made in the 'Communication of Audit Matters With Those Charged with Governance'.

I believe that, overall, we have maintained an adequate and effective system of internal control throughout the year. As Acting Chief Executive of NES I am content with the Governance arrangements of the organisation during 2019/20.

### Risk Assessment

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

The NES Risk Management Strategy is regularly reviewed and updated to respond to internal developments and to audit recommendations. The key elements of the Risk Management Strategy are:

The maintenance of a **corporate Risk Register** which identifies all significant corporate risks and any changes from the previous period. Reporting on this is a standing agenda item at every Board Meeting;

The maintenance of **departmental Risk Registers** for the whole organisation, which require managers to identify the risks to the achievement of their objectives, to regularly review the ratings associated with those risks, and to indicate the steps they are taking to manage those risks;

The **categorisation of risks** into 'Primary 1', 'Primary 2', 'Contingency', 'Housekeeping' or 'Low', enabling prioritisation of those risks that are both high likelihood and high impact above those that are either high likelihood but low impact, or low likelihood but high impact;

The **articulation by the NES Board of the 'risk appetite'** of the organisation as it relates to different categories of risk, which is used to assess the residual risk associated with individual items on the Corporate Risk Register against the level of risk which has been deemed acceptable, thus enabling the organisation to focus resources on managing the risks that are unacceptable;

The **development of a matrix approach** to the management of risk appetite to enable a greater tolerance for risk during the development phase of new activities or ways of working;

The establishment of **trained Risk Champions** in each department to facilitate and co-ordinate the management of risk at local level and provide related business advice;

The inclusion of risk awareness training in the **Corporate Induction Programme** for all new staff; and

The ongoing delivery of an **Information Governance Action Plan** to manage and monitor information risks. This action plan is regularly reviewed by the Information Governance Group and an annual report is presented to the Finance and Performance Management Committee in May each year.

The Board's corporate risks are categorised as Strategic & Policy risks; Operational & Service delivery risks; Financial Risks; Reputational risks and Accountability & Governance risks. The corporate Risk Register details both the inherent and residual risk ratings against all risks identified in each category, and compares the residual risk assessed against the level of tolerance of risk for each category (the risk appetite) that the Board has defined.

NES has commissioned its internal auditors to undertake an assessment of its risk management processes and practice. This Global Risk Maturity Assessment will be concluded in 2020 and is expected to identify opportunities for enhancement.

More generally, the organisation is committed to continuous improvement through developing systems in response to any relevant reviews and advances in best practice.

In particular, during the year to 31 March 2020, and up to the signing of the accounts, the NES Board has developed an Assurance Framework to initially map all the key sources of assurance within the organisation and define, using the 'three lines of assurance' conceptual model, the type and nature of the assurance. Where there is significant management and oversight assurances already in place for routine operations, this enables Internal Audit resource to be more effectively targeted towards activities with a higher level of residual risk.

During the year to 31st March 2020, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control. During 2019/20, there were two instances of cheque fraud for which NES recovered the monies in full from our bankers; a small unrecovered loss due to fraudulent use of a BT MeetMe account; and there is one ongoing contract fraud case. A number of recommendations have arisen from our internal audit reports which we have accepted, and which will be implemented and followed up. We have also considered the Qualified by Exception opinions of the Service Auditor appointed by NSS and, based on our assessment, we conclude there is no risk of misstatement within the NES Annual Report and Accounts.

## Governance Framework

The Board meets regularly during the year to progress the business of the National Health Board. There have been 9 meetings and 4 workshops during 2019/20. All Board meetings were quorate and attendance by Members at these meetings is detailed below.

<b>NAME</b>	<b>BOARD MEETINGS ATTENDED</b>	<b>WORKSHOPS ATTENDED</b>
<b>MR D GARBUTT</b>	8/9	4/4
<b>MS E FORD</b>	6/9	2/4
<b>MR D HUTCHENS</b>	9/9	3/4
<b>DR D STEELE</b>	9/9	4/4
<b>MRS L DUNION</b>	9/9	3/4
<b>MS A WALKER</b>	9/9	4/4
<b>MS A CURRIE</b>	9/9	3/4
<b>MS C LAMB</b>	6/6	3/3
<b>PROF S IRVINE</b>	8/9	4/4
<b>MRS A MCCOLL</b>	8/9	4/4
<b>MRS K WILSON</b>	7/9	4/4
<b>MS V NAIRN</b>	6/8	3/3
<b>MRS J FORD</b>	8/8	2/3
<b>MR ROWAN PARKS</b>	3/3	1/1
<b>DR A TANNAHILL</b>	1/1	1/1
<b>MRS G MAWDSLEY</b>	1/2	0/1

The Scottish Health Plan established that the following standard committees should exist, which are relevant to the organisation:

- Audit;
- Staff Governance;
- Clinical Governance (NES equivalent is Educational Research and Governance Committee);
- Patient Focus Public Involvement (PFPI). This committee was stood down by the Board in April 2012 and, in June 2012, the Board approved proposals to split the specific PFPI and Equality & Diversity responsibilities between the following groups:
  - Staff Governance Committee;
  - Educational and Research Governance Committee;
  - Finance and Performance Management Committee;
  - Executive Team; and
  - PCCP, Equality & Diversity Lead Network.

The Board also has a Remuneration Committee, the membership details of which can be found on page 42.

### Audit Committee

The Audit Committee meets four times per year to consider: internal control; risk management and corporate governance issues; financial accounting matters; and, to receive reports from the internal and external auditors.

All meetings were quorate and the membership and attendance of the Audit Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
DR D STEELE	Non-Executive Board Member (Chair from Jun 2018)	4/4
MS A WALKER	Non-Executive Board Member	4/4
MRS L DUNION	Non-Executive Board Member	4/4
MS A CURRIE	Non-Executive Board Member	3/4

### Staff Governance Committee

The Staff Governance Committee meets four times per year and has an important role in ensuring consistency of policy and equity of treatment of staff across the organisation, in line with the National Staff Governance Standard.

All meetings were quorate and the membership and attendance of the Staff Governance Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
MS E FORD	Employee Director & Non-Executive Board Member	2/4
DR A TANNAHILL	Non-Executive Board Member	1/1
MRS L DUNION	Non-Executive Board Member (Chair from Aug 2018)	3/4
MRS J FORD	Non-Executive Board Member	3/3
MS A CURRIE	Non-Executive Board Member	4/4

### Educational and Research Governance Committee

The Educational and Research Governance Committee meets four times per year and its main purpose is to advise the Board on matters relating to educational research and the management of educational quality. The Committee advises the Board on the strategic planning of relevant aspects of educational research and educational quality and maintains oversight of the implementation of approved programmes.

All meetings were quorate and the membership and attendance of the Educational and Research Governance Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
MR D HUTCHENS	Non-Executive Board Member (Chair from May 18)	4/4
DR D STEELE	Non-Executive Board Member	4/4
MS V NAIRN	Non-Executive Board Member	2/4
MS A WALKER	Non-Executive Board Member	4/4

### Finance and Performance Management Committee

The Finance and Performance Management Committee meets four times per year to provide additional scrutiny of financial reports, including: annual budgets and the 3-year financial plan; operational performance, procurement and proposals for significant new expenditure; management accounts and efficiency programmes.

All meetings were quorate and the membership and attendance of the Finance and Performance Management Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
MR D GARBUTT	Chair of NES Board, (Chair)	4/4
MS E FORD	Employee Director & Non-Executive Board Member	4/4
MR D HUTCHENS	Non-Executive Board Member	4/4
MRS J FORD	Employee Director & Non-Executive Board Member	2/4

## Digital Committee and Sub Committee

The Digital Sub-Committee planned to meet four times per year to provide additional scrutiny of financial reports, including: annual budgets and the developing workplans; proposals for significant new expenditure; and performance against targets for both NDS and NES Digital.

After a review by the NES Board, the Digital Sub-Committee was reconstituted as a formal Standing Committee of the Board. The final Digital Sub-Committee meeting was held on 13 December 2019. On 2 March 2020 the Digital Committee held its first meeting as a formal Standing Committee of the Board. The membership and attendance of the Digital Sub-Committee and the Digital Committee during 2019/20 was as follows:

### Digital Sub-Committee

MEMBER	POSITION	MEETINGS ATTENDED
PROFESSOR A MORRIS <sup>1</sup>	Vice-Principal, Data Science, University of Edinburgh (Chair) - Co-opted Member	3/3
MR D GARBUTT	Chair of NES Board - NES Voting Member	2/3
MR D HUTCHENS	Non-Executive Board Member - NES Voting member	3/3
MS V NAIRN	Non-Executive Board Member - NES Voting member	2/3
MR G MULGAN <sup>1</sup>	Chief Executive, NESTA - Co-opted Member	1/3
MR A McCANN <sup>1</sup>	Non-Executive Board Member, NHS Lothian - Co-opted Member	2/3

### Digital Committee

All meetings were quorate and the membership and attendance of the Digital Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
MR D GARBUTT	Chair of NES Board - NES voting member	1/1
MR D HUTCHENS	Non-Executive Board Member - NES voting member	1/1
MS V NAIRN	Non-Executive Board Member - NES voting member	1/1
MR A McCANN <sup>1</sup>	Non-Executive Board Member, NHS Lothian- Co-opted Member	1/1
MS L RAMSAY <sup>1</sup>	Medical Director NHS NSS - Co-opted Member	1/1
MR D WILSON <sup>1</sup>	Director of Digital Technology, NHS Lanarkshire - Co-opted Member	1/1
MR P LEONARD <sup>1</sup>	Clinical Lead for Digital, NHS Lothian - Co-opted Member	1/1
MS N DICKIE <sup>1</sup>	Chief Officer, Health and Social Care, COSLA - Co-opted Member	1/1

1. These individuals are not members of the NES Board, they are co-opted members appointed for their significant expertise in Digital development and implementation at scale, or they represent stakeholder groups.



# Remuneration and Staff Report

## 1) Remuneration Report

### Determination of Senior Employees' Remuneration

Senior employees' remuneration is determined by the Scottish Government. For senior staff on Executive or Senior Managers pay arrangements, pay and conditions are determined by ministerial direction and are mandatory. It is the responsibility of the Remuneration Committee to ensure that the performance of staff in this cohort is formally assessed at the end of the performance year and to submit its recommendations to the National Performance Management Committee for approval.

#### 1. Employment Contracts and Business Interests

The notice period for the Chief Executive and all other senior managers is three months' notice of termination of contract. No contract contains any provision for compensation for early termination.

Any business interests required to be disclosed are noted in Section 1, Accountability Report - Board Members' and Senior Managers' Interests of the Directors' Report on page 29 and on Note 17.

#### 2. Membership and Remit of the Remuneration Committee

The remit of the Remuneration Committee is reviewed annually in March. The following covers the period 1 April 2019 to 31 March 2020:

- To agree the remuneration and terms and conditions of employment of the Executive Directors and Directors and any other staff employed under the Executive Management or Consultants pay arrangements;
- To agree objectives for the Chief Executive and direct reports to the Chief Executive, normally before the start of the year in which performance is assessed;
- To monitor the performance of the Chief Executive and direct reports to the Chief Executive, in accordance with their performance plans; to consider and approve the annual performance gradings for the Chief Executive, Executive Directors and wider executive cohort;
- To review submissions from the Chief Executive for the terms of any Settlement Agreement, which may require the approval of the Scottish Government in accordance with procedures applicable across the Public Sector;
- To conduct regular reviews of NES policy for the remuneration and performance management of the Chief Executive and direct reports to the Chief Executive, in the light of any guidance issued by NHSScotland;
- To delegate responsibility to a sub-group of the committee to act as the Appeals body for the Chief Executive and direct reports to the Chief Executive who have a grievance concerning their terms and conditions of service;
- Together with the Chief Executive of NES, make recommendations regarding the citation of Doctors and Dentists to the Scottish Advisory Committee on Distinction Awards, General

Dental Practitioners under CRUMP discretionary progression arrangements and consultant discretionary point progression; and

- To undertake an annual self-assessment of the performance of the Committee and produce an annual report for the Staff Governance Committee in accordance with audit requirements.

The remit of the Committee is reviewed annually.

The membership and attendance of the Remuneration Committee during 2019/20 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
DR D STEELE	Non-Executive Board Member (Chair)	3/3
MR D GARBUTT	Chair of NES Board	2/3
MR D HUTCHENS	Non-Executive Board Member	3/3
MRS L DUNION	Non-Executive Board Member	2/3
MS E FORD	Employee Director & Non-Executive Board Member	3/3

### 3. Policy, Assessment and Performance Appraisal in relation to the Remuneration of Senior Managers

Senior managers are remunerated in accordance with the Felt Fair Panel's recommendations. Additionally, performance related pay may be awarded in accordance with the appraisal arrangements for staff on executive pay ranges. Further information can be referenced in two related circulars which are extant; HDL(2006) 54, HDL(2007)15, and the Good Practice Guide to Performance Management.

Assessment and performance appraisal is carried out in accordance with the guidance set out in the above circulars.

### 4. Explanation of Any Significant Awards Made to Past Senior Employees

There were none during 2019/20.

### 5. Cash Equivalent Transfer Values (CETV)

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individuals have accrued as a consequence of their total membership of the scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NHS scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

**The Real Increase in the Value of CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The opening figure is recalculated each year, based on the new market factors, therefore it does not agree to the closing balance in the previous year.

## Remuneration Table

### For the Year Ended 31 March 2020 – Current Year (Audited Information)

In accordance with the FReM and the Companies Act, this calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period, which is the estimated life span following retirement.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2019/20.

REMUNERATION OF:						
	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind £	Total Earnings in year (bands of £5,000)	Pension Benefits £000's	Total Remuneration (bands of £5,000)
<b>EXECUTIVE MEMBERS</b>						
Chief Executive Ms C Lamb <sup>1</sup>	130-135	0	0	<b>130-135</b>	59	<b>190-195</b>
Acting Chief Executive/ Director of Medicine Prof S Irvine <sup>1</sup>	195-200	0	0	<b>195-200</b>	42	<b>235-240</b>
Acting Director of Medicine Prof. R Parks <sup>2</sup>	25-30	0	0	<b>25-30</b>	n/a	<b>25-30</b>
Director of Finance/Acting Deputy Chief Executive Ms A McColl <sup>1</sup>	105-110	0	0	<b>105-110</b>	47	<b>150-155</b>
Director of Nursing, Midwifery & Allied Health Professions Ms K Wilson	105-110	0	0	<b>105-110</b>	27	<b>130-135</b>
<b>NON EXECUTIVE MEMBERS</b>						
Mr D Garbutt (Chair)	30-35	0	0	<b>30-35</b>	n/a	<b>30-35</b>
Dr D Steele ( Deputy Chair)	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Dr A Tannahill <sup>3</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>0-5</b>
Mr D Hutchens	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms A Walker	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms L Dunion	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms A Currie	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms J Ford	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms V Nairn	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms G Mawdsley <sup>3</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>0-5</b>
Ms E Ford, Employee Director <sup>4</sup>	50-55	0	0	<b>50-55</b>	10	<b>60-65</b>
<b>TOTAL</b>					<b>185</b>	

#### Notes:

- Ms C Lamb took up a seconded position with the Scottish Government from the 1st Dec 2019. From that period, Prof. S Irvine took up the role of Acting Chief Executive and Ms A McColl took on the role of Acting Deputy Chief Executive. The disclosures above relate to their costs for the period while they were in the role. The Scottish Government were recharged £59k in relation to the costs, including employer's costs, for Ms Lamb from the 1st Dec 2019 to 31st Mar 2020.
- Prof. R Parks was appointed Acting Medical Director from 1 Dec 2020. Prof Parkes is employed by the University of Edinburgh and has been seconded to NES since Aug 2008. The above costs reflect the salary recharge for the period from 1 Dec 2019 to 31st March 2020. The annual equivalent recharge cost is £88k.
- Dr A Tannahill left the role in April 2019 and Ms G Mawdsley was appointed to the Board on the 1st February 2020. The annual equivalent remuneration for these roles is in the range £5k - £10k
- Ms E Ford's total salary and associated Pension benefits have been disclosed above. The Employee Director's salary includes £40k-£45k in respect of non-board duties

## Remuneration Table

### For the Year Ended 31 March 2020– Current Year (Audited Information) (continued)

Pension Benefits (£'000)					
	Total accrued pension and related lump sum at pensionable age at 31 March 2020 (bands of £5,000)	Real increase in pension and related lump sum at pensionable age at 31 March 2020 (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Real increase in CETV in the year £'000
<b>EXECUTIVE MEMBERS</b>					
Chief Executive Ms C Lamb <sup>1</sup>	60-65 No lump sum	2.5-5 No lump sum	872	948	76
Acting Chief Executive/ Director of Medicine Prof S Irvine <sup>1</sup>	45-50 and 140-145 lump sum	2.5-5 and 10-12.5 lump sum	1,037	1,130	46
Acting Director of Medicine Prof. R Parks <sup>2</sup>	n/a	n/a	n/a	n/a	n/a
Director of Finance/Acting Deputy Chief Executive Ms A McColl <sup>1</sup>	40-45 No lump sum	2.5-5 No lump sum	524	576	51
Director of Nursing, Midwifery and Allied Health Professions Mrs K Wilson	5-10 No lump sum	0-2.5 No lump sum	104	136	32
<b>NON EXECUTIVE MEMBERS</b>					
Mr D Garbutt (Chair)	n/a	n/a	n/a	n/a	n/a
Dr D Steele	n/a	n/a	n/a	n/a	n/a
Dr A Tannahill	n/a	n/a	n/a	n/a	n/a
Mr D Hutchens	n/a	n/a	n/a	n/a	n/a
Ms S Walker	n/a	n/a	n/a	n/a	n/a
Ms L Dunion	n/a	n/a	n/a	n/a	n/a
Ms A Currie	n/a	n/a	n/a	n/a	n/a
Ms J Ford	n/a	n/a	n/a	n/a	n/a
Ms V Nairn	n/a	n/a	n/a	n/a	n/a
Ms G Mawdsley	n/a	n/a	n/a	n/a	n/a
Ms E Ford Employee Director <sup>3</sup>	5-10 and 20-25 lump sum	0-2.5 and 0-2.5 lump sum	165	180	11
<b>TOTAL</b>					<b>216</b>

#### Notes:

- Ms C Lamb took up a seconded position with the Scottish Government from the 1st December 2019. From that period, Prof. S Irvine took up the role of Acting Chief Executive and Ms A McColl took on the role of Acting Deputy Chief Executive. The disclosures above relate to their pension benefits for the whole year.
- Prof. R Parks was appointed Acting Medical Director from 1 Dec 2019. Prof Parks is employed by the University of Edinburgh and as such any Pension details are not available to NES to disclose.
- Ms E Ford's Pension benefits disclosed above are in respect of her non-board duties

**Remuneration Table**  
**For the Year Ended 31 March 2020– Prior Year (Audited Information) (continued)**

<b>REMUNERATION OF:</b>						
	<b>Gross Salary (bands of £5,000)</b>	<b>Bonus Payments (bands of £5,000)</b>	<b>Benefits in kind £</b>	<b>Total Earnings in year (bands of £5,000)</b>	<b>Pension Benefits £000's</b>	<b>Total Remuneration (bands of £5,000)</b>
<b>EXECUTIVE MEMBERS</b>						
Chief Executive Ms C Lamb	125-130	0	0	<b>125-130</b>	50	<b>175-180</b>
Director of Medicine Prof S Irvine	190-195	0	0	<b>190-195</b>	46	<b>235-240</b>
Director of Finance Ms A McColl	100-105	0	0	<b>100-105</b>	40	<b>140-145</b>
Director of Nursing, Midwifery & Allied Health Professions Ms K Wilson	105-110	0	0	<b>105-110</b>	40	<b>145-150</b>
<b>NON EXECUTIVE MEMBERS</b>						
Mr D Garbutt (Chair)	25-30	0	0	<b>25-30</b>	n/a	<b>25-30</b>
Ms C Wilkinson <sup>1</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>0-5</b>
Ms S Douglas-Scott <sup>1</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>0-5</b>
Dr D Steele	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Dr A Tannahill	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Mr D Hutchens	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms S Stewart <sup>1</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>5-10</b>
Ms A Walker <sup>2</sup>	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms L Dunion <sup>2</sup>	5-10	0	0	<b>5-10</b>	n/a	<b>5-10</b>
Ms E Ford, Employee Director <sup>3</sup>	50-55	0	0	<b>50-55</b>	10	<b>60-65</b>
<b>TOTAL</b>					<b>186</b>	

**Notes:**

- Ms C Wilkinson and Ms S Douglas-Scott both retired from the NES Board in May 2018. Ms S Stewart resigned from the Board in June 2018. The remuneration disclosed above was for the period prior to their leaving dates. The annual equivalent remuneration for each of them is in the range £5k-£10k
- Ms S Walker and Ms L Dunion joined the NES Board in June 2018, and Ms A Currie joined in September 2018. The remuneration disclosed above was for the period from their joining dates. The annual equivalent remuneration for each of them is in the range £5k-£10k
- Ms E Ford's total salary and associated Pension Benefits have been disclosed above. The employee Director's salary includes £40k-£45k in respect of non-board duties.

**Remuneration Table (continued)****For the Year Ended 31 March 2019 – Prior Year (Audited Information) (continued)**

<b>Pension Benefits (£'000)</b>					
	<b>Total accrued pension and related lump sum at pensionable age at 31 March 2019  (bands of £5,000)</b>	<b>Real increase in pension and related lump sum at pensionable age at 31 March 2019 (bands of £2,500)</b>	<b>Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000</b>	<b>Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000</b>	<b>Real increase in CETV in the year £'000</b>
<b>EXECUTIVE MEMBERS</b>					
Chief Executive Ms C Lamb	55-60 No lump sum	2.5-5 No lump sum	792	858	66
Director of Medicine Prof S Irvine	40-45 and 125-130 lump sum	2.5-5 and 7.5 - 10 lump sum	942	1,020	77
Director of Finance Mrs A McColl	35-40 No lump sum	2.5-5 No lump sum	471	516	45
Director of Nursing, Midwifery and Allied Health Professions Mrs K Wilson	5-10 No lump sum	2.5-5 No lump sum	62	102	40
<b>NON EXECUTIVE MEMBERS</b>					
Mr D Garbutt (Chair)	n/a	n/a	n/a	n/a	n/a
Ms C Wilkinson	n/a	n/a	n/a	n/a	n/a
Ms S Douglas-Scott <sup>1</sup>	n/a	n/a	n/a	n/a	n/a
Dr D Steele	n/a	n/a	n/a	n/a	n/a
Dr A Tannahill	n/a	n/a	n/a	n/a	n/a
Mr D Hutchens	n/a	n/a	n/a	n/a	n/a
Ms S Stewart <sup>1</sup>	n/a	n/a	n/a	n/a	n/a
Ms S Walker <sup>2</sup>	n/a	n/a	n/a	n/a	n/a
Ms L Dunion <sup>2</sup>	n/a	n/a	n/a	n/a	n/a
Ms A Currie <sup>2</sup>	n/a	n/a	n/a	n/a	n/a
Ms E Ford (Employee Director) <sup>3</sup>	5-10 and 20-25 lump sum	0-2.5 and 0-2.5 lump sum	148	162	10
<b>TOTAL</b>					<b>238</b>

**Notes:**

- Ms C Wilkinson and Ms S Douglas-Scott both retired from the NES Board in May 2018. Ms S Stewart resigned from the Board in June 2018.
- Ms S Walker, and Ms L Dunion joined the NES Board in June 2018, and Ms A Currie joined in September 2018.
- Ms E Ford's Pension benefits disclosed above are in respect of her non-board duties

The value of pension benefits accrued during any 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. The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

**Fair Pay Disclosure (Audited Information)**

<b>2019/20</b>		<b>2018/19</b>	
<b>RANGE OF STAFF REMUNERATION</b>	£18,383-£197,921	<b>RANGE OF STAFF REMUNERATION</b>	£17,437-£192,412
<b>HIGHEST EARNING DIRECTOR'S TOTAL REMUNERATION</b>	£195,000-£200,000	<b>HIGHEST EARNING DIRECTOR'S TOTAL REMUNERATION</b>	£190,000-£195,000
<b>MEDIAN TOTAL REMUNERATION</b>	£52,913	<b>MEDIAN TOTAL REMUNERATION</b>	£51,187
<b>RATIO (BASED ON MIDPOINT OF DIRECTOR PAY-BAND)</b>	3.73	<b>RATIO (BASED ON MIDPOINT OF DIRECTOR PAY-BAND)</b>	3.76

**Commentary**

Remuneration for staff includes salary and contracted allowances including overtime payments. Only individuals contracted for more than 2 hours per week have been included. The calculation has been adjusted to reflect annualised whole time equivalent for each individual. This removes the effect of part-year expenditure for those joining or leaving payroll during the year and includes equivalent full-time expenditure for part-time staff.



## 2) Staff Report

### 1. Higher Paid Employees Remuneration

2019 NUMBER		2020 NUMBER
<b>Other employees (ie excluding Executive Board Members) whose remuneration fell within the following ranges:</b>		
<b>Clinicians</b>		
8	£ 70,001 to £ 80,000	10
1	£ 80,001 to £ 90,000	2
1	£ 90,001 to £100,000	0
0	£100,001 to £110,000	1
0	£120,001 to £130,000	2
<b>Other</b>		
19	£ 70,001 to £ 80,000	25
4	£ 80,001 to £ 90,000	7
3	£ 90,001 to £100,000	2
4	£100,001 to £110,000	3
1	£110,001 to £120,000	1
2	£120,001 to £130,000	4
0	£130,001 to £140,000	1
2	£140,001 to £150,000	2
2	£150,001 to £160,000	0
0	£160,001 to £170,000	1
0	£170,001 to £180,000	1
2	£180,001 to £190,000	0
0	£190,001 to £200,000	2

In the above table, staff are grouped according to whether they directly provide patient care (Clinicians) or otherwise. The salary reflects the actual payments paid to the individuals and may not reflect an annual equivalent salary.

### 2. Staff Expenditure

2019		2020						
		Executive Board Members	Non Executive Members	Permanent Staff	Inward Second-ees	Other Staff	Outward Second-ees	Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>STAFF EXPENDITURE</b>								
51,157	Salaries and wages	544	147	87,727	0	0	(32,882)	55,536
5,622	Social security expenditure	70	10	9,910	0	0	(3,777)	6,213
6,196	NHS scheme employers' expenditure	113	10	13,979	0	0	(4,318)	9,784
6,462	Inward secondees	29	0	0	7,016	0	0	7,045
2,398	Agency staff	0	0	0	0	2,054	0	2,054
<b>71,835</b>		<b>756</b>	<b>167</b>	<b>111,616</b>	<b>7,016</b>	<b>2,054</b>	<b>(40,977)</b>	<b>80,632</b>
676	Compensation for loss of office or early retirement	0	0	77	0	0	0	77
<b>72,511</b>	<b>TOTAL STAFF EXPENDITURE</b>	<b>756</b>	<b>167</b>	<b>111,693</b>	<b>7,016</b>	<b>2,054</b>	<b>(40,977)</b>	<b>80,709</b>
2,447	The above includes expenditure for staff engaged directly on capital	0	0	412	11	62	0	485

### 3. Staff Numbers

2019								2020
Average Mean		Executive Board Members	Non Executive Members	Permanent Staff	Inward Second-ees	Other Staff	Outward Second-ees	Average Mean
1,168.0	Whole Time Equivalent (wte)	8	5.0	1664.4	66.3	22.1	(573.3)	1,192.4
38	The above includes wte of staff engaged directly on capital projects of:	0	0	8.26	0.16	0.53	0	9.0
27.5	Included in the total staff numbers above were disabled staff * of:	0	0	33.07	0	0	0	33.1
0	Included in the total staff numbers above were Special Advisers of:							0

\* Refers to staff who consider themselves to be disabled

### 4. Staff Composition

	2019/20			2018/19		
	Male	Female	Total	Male	Female	Total
Executive Directors <sup>1</sup>	2	2	4	1	3	4
Non-Executive Directors and Employee Director	2	8	10	3	5	8
Other	771	1640	2411	510	1335	1845
<b>Total Headcount</b>	<b>775</b>	<b>1650</b>	<b>2425</b>	<b>514</b>	<b>1343</b>	<b>1857</b>

1. In year movements have changed the composition of the staff

### 5. Sickness Absence Data

The Board has a proactive policy on the management of sickness absence and the absence rate for 2019/20 was 2.58% (2018/19: 2.09%).

### 6. Disabled Persons Employment

As an equal opportunities employer, the Board welcomes applications for employment from individuals irrespective of sex, marital status, race, disability, age, sexual orientation, language or social origin. As a VV symbol user (Positive About Disabled People), NES also actively seeks to provide an environment where any disabled applicant (or those employees who become disabled) can continue to contribute to the work of the organisation.

The NES Equality Impact Assessment Policy ensures that the impact of equality, human rights and health inequalities are embedded and integrated into the decisions and actions of the Board. The systems of training, education and appraisal of staff also include the requirements of knowledge and understanding of equality, diversity and discrimination.

## 7. Exit Packages

	Number of departures agreed 2019/20	Number of departures agreed 2018/19
< £10,000	1	1
£10,000 - £25,000	1	1
£25,000 - £50,000	0	1
£50,000 - £100,000	1	1
<b>Total</b>	<b>3</b>	<b>4</b>
<b>Total Resource Expenditure (£000)</b>	<b>77</b>	<b>138</b>

## 8. Trade Union Facility Time

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

[www.nes.scot.nhs.uk](http://www.nes.scot.nhs.uk)

No of employees who were relevant union officials in 2019/20	WTE employee number	% of time spent on facility time	No of Employees
8	7.5	0%	0
		1-50%	7
		51-99%	0
		100%	1

Percentage of pay bill spent on facility time	
Total cost of facility time	£4,990
Total Pay Bill	£121,610,582
% of total pay bill spent on facility time	0.004%

Time spent on trade union activities	
Number of hours	214
% of hours of facility time spent on trade union activities	100%

## Parliamentary Accountability Report

### Losses and Special Payments

In the year to 31 March 2020, there were no balances in excess of £250,000 that were written off.

### Fees and Charges

In the year to 31 March 2020 there were no services where the full annual cost was £1m or more, or where the amount of the income and full cost of the service are material to the financial statements.



**Acting Chief Executive as Accountable Officer**

**25 June 2020**

# Independent Auditor's Report

## Independent auditor's report to the members of NHS Education for Scotland, the Auditor General for Scotland and the Scottish Parliament

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of NHS Education for Scotland for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board as at 31 March 2020 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 of opinion

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

#### Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Risks of material misstatement**

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

**Responsibilities of the Accountable Officer for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

## Report on regularity of expenditure and income

### Opinion on regularity

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

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

### Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

## Use of our report

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

Joanne Brown

Joanne Brown (for and on behalf of Grant Thornton UK LLP)  
110 Queen Street  
Glasgow, G1 3BX  
26 June 2020

# Direction by the Scottish Ministers



## NHS Education for Scotland

### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in exercise of the powers conferred on them by sections 86(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as read with article 6(1) of and the Schedule to the NHS Education for Scotland Order 2002, (S.S.I. 2002/103), and all powers enabling them in that behalf, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006



# Financial Statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

2019			2020
£'000		Note	£'000
	<b>Employee Expenditure</b>		
95,531	Staff Expenditure	3	121,201
<b>95,531</b>			<b>121,201</b>
	<b>Operating Expenditure (non-employee)</b>		
352,371	Direct Educational Expenditure <sup>1</sup>	4	375,463
44,543	Expenditure for Other Educational Support <sup>1</sup>	5	48,612
6,865	NES Infrastructure Expenditure	6	7,323
<b>499,309</b>	<b>Gross Expenditure for the year</b>		<b>552,599</b>
(33,925)	Less: Operating Income <sup>2</sup>	7	(51,139)
<b>465,385</b>	<b>Net Expenditure for the year</b>		<b>501,460</b>

1. Although this expenditure is classified as non-pay expenditure for NES, the majority of the figures in this category fund the costs of salary of clinical staff employed by other organisations
2. The increase in operating income is mostly attributable to the additional salary recharge income from NHSS in-year due to the additional National Programme Trainees who were transferred to NES as their Lead Employer.

## Statement of Financial Position

as at 31st March 2020

2019		2020	
£'000	Note	£'000	£'000
<b>Non-current assets</b>			
7,517	Intangible assets	9a	8,204
3,163	Property, plant and equipment	9b	3,265
<b>10,680</b>	<b>Total non-current assets</b>		<b>11,469</b>
<b>Current assets</b>			
Financial assets:			
3,365	Trade and other receivables	10	5,450
195	Cash and cash equivalents	11	308
<b>3,560</b>	<b>Total current assets</b>		<b>5,758</b>
<b>14,240</b>	<b>Total assets</b>		<b>17,227</b>
<b>Current liabilities</b>			
(187)	Provisions	13a	(418)
Financial liabilities:			
(19,044)	Trade and other payables	12	(24,898)
<b>(19,231)</b>	<b>Total current liabilities</b>		<b>(25,316)</b>
<b>(4,991)</b>	<b>Non-current assets less net current liabilities</b>		<b>(8,089)</b>
<b>Non-current liabilities</b>			
(4,028)	Provisions	13a	(4,483)
Financial liabilities:			
(1,422)	Trade and other payables	12	(1,012)
<b>(5,450)</b>	<b>Total non-current liabilities</b>		<b>(5,495)</b>
<b>(10,441)</b>	<b>Assets less liabilities</b>		<b>(13,584)</b>
<b>Taxpayers' equity</b>			
(10,444)	General fund		(13,587)
3	Revaluation reserve		3
<b>(10,441)</b>	<b>Total taxpayers' equity</b>		<b>(13,584)</b>

Approved by the Board on 25 June 2020



Director of Finance



Acting Chief Executive

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

## Statement of Cash Flows

### for the year ended 31 March 2020

2019		2020	
£'000	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
(465,385)	Net expenditure	SOCNE	(501,460)
1,238	Adjustments for non-cash transactions	6	1,112
0	Profit on Disposal of Non Current Assets	7	(2)
1,901	(Increase)/Decrease in trade and other receivables	2,10	(2,085)
2,074	Increase in trade and other payables	2,12	5,192
(85)	Increase/(Decrease) in provisions	2,13	686
<b>(460,257)</b>	<b>Net cash outflow from operating activities</b>		<b>(496,557)</b>
<b>Cash flows from investing activities</b>			
(619)	Purchase of property, plant and equipment	2,9b	(767)
(2,464)	Purchase of intangible assets	2,9a	(995)
0	Proceeds from sale of assets		2
<b>(3,083)</b>	<b>Net cash outflow from investing activities</b>		<b>(1,760)</b>
<b>Cash flows from financing activities</b>			
463,340	Funding		498,317
(76)	Movement in general fund working capital		113
<b>463,264</b>	<b>Net Financing</b>		<b>498,430</b>
(76)	<b>Net decrease in cash and cash equivalents in the period</b>	11	113
271	<b>Cash and cash equivalents at the beginning of the period</b>	11	195
<b>195</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>308</b>
<b>Reconciliation of net cash flow to movement in net cash</b>			
(76)	Decrease in cash in year		113
271	Net cash at 1 April 2019	11	195
<b>195</b>	<b>Net cash at 31 March 2020</b>	<b>11</b>	<b>308</b>

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

Current Year:	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	(10,444)	3	(10,441)
<b>Changes in taxpayers' equity for 2019/20</b>			
Net expenditure for the year	(501,460)	0	(501,460)
<b>Total recognised income and expense for 2019/20</b>	(501,460)	0	(501,460)
<b>Funding</b>			
Drawn down	498,430	0	498,430
Movement in General Fund Creditor	(113)	0	(113)
<b>Total funding</b>	498,317	0	498,317
<b>Balance at 31 March 2020</b>	(13,587)	3	(13,584)

Prior Year:	General Fund	Revaluatio n Reserve	Total Reserves
	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	(8,399)	3	(8,396)
<b>Changes in taxpayers' equity for 2018/19</b>			
Net expenditure for the year	(465,385)	0	(465,385)
<b>Total recognised income and expense for 2018/19</b>	(465,385)	0	(465,385)
<b>Funding:</b>			
<b>Drawn down</b>	463,264	0	463,264
Movement in General Fund Creditor	76	0	76
<b>Total funding</b>	463,340	0	463,340
<b>Balance at 31 March 2019</b>	(10,444)	3	(10,441)

## Notes to the Accounts

### Note 1. 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 FReM issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 23 below.

#### **Accounting standards, amendments or interpretations were issued and effective for the first time in 2019/20**

#### **Standards, amendments and interpretations issued but not yet effective or adopted this year**

IFRS 16 - Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Board does not expect this standard to have a material impact on non-current assets, liabilities and depreciation.

The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position, the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Board will apply this definition to new leases only and will consider its assessments made under the old standards of whether existing contracts contain a lease.

There were no Accounting standards, amendments or interpretations early adopted in 2019/20.

**Note 1. Accounting Policies (continued)****2. Going Concern**

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. The Statement of Financial Position reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. The COVID-19 pandemic has not impacted on this policy commitment from Scottish Government and accordingly, the accounts have been prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future

Further information is provided in the Accountability Report.

**3. Accounting Convention**

The accounts are prepared on a historical cost basis as modified to reflect changes in the value of fixed assets.

**4. Funding**

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

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 SoCNE, except where it results in the creation of a non-current asset such as plant and equipment.

**5. Plant and Equipment**

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

**5.1 Recognition**

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.

**Note 1. Accounting Policies (continued)**

All assets falling into the following categories are capitalised:

- 1) 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 development 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 up to 10 years.
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

**5.2 Measurement****Valuation**

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

- Equipment, installations and fittings are valued at fair value. A depreciated historical cost basis is a proxy for fair value in respect of such assets which have short useful lives or low values (or both).
- Assets under construction are valued at current cost. 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 SoCNE. 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 SoCNE, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups.

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

**Depreciation**

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

**Note 1. Accounting Policies (continued)**

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

- 1) Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 2) Plant, equipment and fixtures and fittings are depreciated over the estimated life of the asset.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

<b>Asset Category / Component</b>	<b>Useful Life</b>
Plant & Machinery and Information Technology	5 years to 10 years
Furniture & Fittings	5 years to 10 years
Transport Equipment	6 years

**6. Intangible Assets****6.1 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:

1. Software
2. Software Licences
3. Websites

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.



**Note 1. Accounting Policies (continued)****Software**

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

**Software Licences**

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

**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.

**6.2 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 no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

**Revaluation and impairment**

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

**6.3 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 SoCNE on each main class of intangible asset as follows:

- 1) Software is amortised over their expected useful life.
- 2) Other intangible assets are amortised over their expected useful life.
- 3) No amortisation is charged on assets under development.

**Note 1. Accounting Policies (continued)**

Amortisation is charged on a straight-line basis.

The following asset lives have been used:

<b>Asset Category/ Component</b>	<b>Useful Life</b>
Websites	Maximum 5 years
Information Technology Software	Range from 5 years to 20 years*
Software licences	Life of licence or 5 years whichever is the lower

*\* Within information Technology Software is the Turas digital platform, which is an unchanging, technical environment which can hold a limitless number of applications. Although the applications and data will change and develop to support rapidly changing business needs, the platform will remain unchanging and constant. As a consequence, this asset has been given an indefinite asset life and will be subject to annual impairment review.*

**7. Sale of Plant and Equipment and Intangible Assets**

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

**8. Leasing****Operating Leases**

Where a lease is regarded as an operating lease, 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 offset against the payments 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.

**9. Impairment of Non-Financial Assets**

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SoCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

**Note 1. Accounting Policies (continued)****10. General Fund Receivables and Payables**

Where the Board has a positive net cash book balance at the year end, a corresponding creditor is created, and the general fund debited with the same amount to indicate that this cash is repayable to the 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.

**11. 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.

**12. 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 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 cost is charged to the SoCNE at the time the Board commits itself to the retirement, regardless of the method of payment.

**13. 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.

**Note 1. Accounting Policies (continued)**

NHS Education for Scotland 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 the CNORIS in the event of payment by an individual health board. 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.

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

**14. Related Party Transactions**

Material related party transactions will be disclosed in a note to the accounts in line with the requirements of IAS 24. Trading figures with other NHS bodies are disclosed in Note 17.

**15. Value Added Tax (VAT)**

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

**16. Provisions**

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

**17. 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 a note to the accounts where an inflow of economic benefits is probable.

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

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

**Note 1. Accounting Policies (continued)**

- 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.

**18. 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.

**19. Financial Instruments****Financial Assets****Business model**

The Board's business model refers to how it manages 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:

- The financial asset is held within a business model where the objective is to collect contractual cash flows; and
- 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:

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

**Note 1. Accounting Policies (continued)****d) Impairment of financial assets**

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

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

**Recognition and Measurement**

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

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

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

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

Financial assets carried at fair value through profit and 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.

**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:

- These are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- They contain embedded derivatives; and/or
- It eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised cost 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.

**Note 1. Accounting Policies (continued)****b) Financial Liabilities held at amortised cost**

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

**Recognition and Measurement**

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

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

**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 SoCNE.

**b) Financial liabilities held at amortised cost**

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

**20. Segmental Reporting**

Total operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the Chief Executive supported by the Executive team. The Executive team consists of all Executive Directors, a number of other senior staff, and meets fortnightly.

The total Operating segments will agree to the totals of expenditure and income shown in Notes 3 -7, however, the analysis of these notes will reflect the following categorisations – Pay costs; Direct Educational support costs; Educational Infrastructure costs; and NES Infrastructure costs.

**21. Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, and cash balances held by the Government Banking Service, and balances held in commercial bank accounts. Where the Government Banking Service is using Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

**22. 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.

**Note 1. Accounting Policies (continued)****23. Key Sources of Judgement and Estimation Uncertainty**

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

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

**Other (Dilapidations) Provision**

The provision for costs related to the expiry of leases up to and including 2023 is based on a dilapidation assessment carried out at the start of each lease.

**Creditors**

Within creditors there is an accrual for annual leave and flexi Leave of £478k (2019: £401k). This calculation was based on the actual leave returns received from staff. An average number of hours by grade was extrapolated from these returns and applied to those staff who did not submit a return. The hours multiplied by actual salary costs gave a total anticipated cost. Included in the annual leave accrual is £160k (2019: £175k) for GP Trainees, calculated as 8 hours leave for each trainee in post at 31 March. This is on a par with the average annual leave outstanding for other NES staff. If the average amount of annual and flexi leave estimated to be outstanding for each individual moved by 5%, the overall accrual required would increase / decrease by £10k. In addition, an accrual of £865k (2019: £1,077k) has been included in respect of payments relating to staff on fixed term contracts.



**Note 2. Memoranda to the Primary Statements****2a Summary of Resource Outturn (SORO)**

<b>Summary of Core Revenue Resource</b>			
	<b>Note</b>	<b>£'000</b>	
Net expenditure	SOCNE	501,460	
Total non core expenditure (see below)		(1,199)	
Total core expenditure		500,261	
Core revenue resource limit		500,513	
<b>Saving against core revenue resource limit</b>		<b>252</b>	
<b>Summary of Non Core Revenue Resource</b>			
		<b>£'000</b>	
Depreciation / Amortisation	6	1,112	
Annually Managed Expenditure	6	87	
Total non core expenditure (see below)		1,199	
Non core revenue resource limit		1,199	
<b>Saving against non core revenue resource limit</b>		<b>0</b>	
<b>Summary of Resource Outturn</b>			
	<b>Resource</b>	<b>Expenditure</b>	<b>Saving</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Core	500,513	500,261	252
Non core	1,199	1,199	0
<b>Total</b>	<b>501,712</b>	<b>501,460</b>	<b>252</b>

	<b>Limit as set by SGHCD</b>	<b>Actual Outturn</b>	<b>Variance (Over)/ Under</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue Resource Limit - Core	500,513	500,261	252
Revenue Resource Limit - Non Core	1,199	1,199	0
<b>Total Revenue Resource Limit</b>	<b>501,712</b>	<b>501,459</b>	<b>252</b>
Capital Resource Limit - Core	1,935	1,901	34
Cash Requirement	498,431	498,431	(0)

## 2b Memoranda to the Statement of Cash Flows: Consolidated adjustments for non-cash transactions

2019		2020		
<b>2b. Adjustments for non cash transactions</b>				
<b>£'000</b>		<b>£'000</b>		
825	Depreciation			804
353	Amortisation			308
60	Impairments on Intangible assets charged to SoCNE			0
<b>1,238</b>	<b>Total expenditure not paid in cash</b>			<b>1,112</b>
<b>2c. Movements in working capital</b>				
		Note	Opening Balances £'000	Closing Balances £'000
<b>TRADE AND OTHER RECEIVABLES</b>				
1,901	Due within one year	10	3,365	5,450
	Due after more than one year		0	0
			<b>3,365</b>	<b>5,450</b>
<b>1,901</b>	<b>Net (increase)/decrease</b>			<b>(2,085)</b>
<b>TRADE AND OTHER PAYABLES</b>				
1,857	Due within one year	12	19,044	24,898
(125)	Due after more than one year	12	1,422	1,012
266	Less: property, plant & equipment included in above		(257)	(396)
76	Less: General Fund creditor included in above	11	(195)	(308)
	<b>Total</b>		<b>20,014</b>	<b>25,206</b>
<b>2,074</b>	<b>Net increase</b>			<b>5,192</b>
<b>PROVISIONS</b>				
(85)	Statement of Financial Position	13a	4,215	4,901
	<b>Total</b>		<b>4,215</b>	<b>4,901</b>
<b>(85)</b>	<b>Net increase/(decrease)</b>			<b>686</b>
<b>3,890</b>	<b>Net movement</b>	<b>CFS</b>		<b>3,793</b>

**Note 3. Staff Expenditure**

2019		2020
£'000		£'000
894	Medical Training Fellowships	941
2,424	Medical Training Programme Directors	2,543
55,365	Medical GP Trainees (employed by NES)	73,909
3,031	Medical Professional Development <sup>1</sup>	3,237
977	Medical Quality Management <sup>1</sup>	758
5,194	Medical Strategic Planning & Directorate Support <sup>1</sup>	5,314
2,048	Medical Training Programme Management <sup>1</sup>	1,879
131	Healthcare Science	193
5,461	Dental	5,807
2,407	Psychology	2,565
270	Pharmacy <sup>1</sup>	1,882
4,469	Nursing, Midwifery and Allied Health Professionals	4,976
397	Knowledge Services	821
2,204	Leadership & Admin Workforce Development	2,190
222	Optometry	345
3,711	Internal Governance, Planning, Commissioning & Systems	3,978
376	Property & Facilities Management Expenditure	442
1,507	Workforce Support	2,146
1,991	Digital Services	4,491
419	NES Digital Service (NDS)	1,245
2,033	Corporate Expenditure	1,539
<b>95,531</b>	<b>Total Staff Expenditure</b>	<b>121,201</b>
<b>Reconciliation of Staff Expenditure to Staff Report</b>		
72,511	Total Pay per Staff Report b) on page 49	80,709
(2,447)	Less capitalised salaries in Staff Report, not in Note 3	(485)
25,467	Add back Outward Seconded as they are in Note 7	40,977
<b>95,531</b>	<b>Total Staff Expenditure</b>	<b>121,201</b>

1. In 2018-19, (£978k) of pay costs relating to the delivery of Pharmacy Training were previously reported within Medical workstreams. The equivalent in 2019-20 is £1,032k. Expansion of Pharmacy Education both at undergraduate and postgraduate has contributed to the increase in pay costs

**Note 4. Direct Educational Non Pay Expenditure**

2019		2020	2020
£'000		£'000	£'000
<b>Undergraduate expenditure</b>			
81,045	Medical ACT <sup>1</sup>		85,746
15,723	Dental ACT		15,730
2,342	Pharmacy ACT		2,260
<b>99,110</b>	<b>Total undergraduate expenditure</b>		<b>103,736</b>
<b>Postgraduate expenditure</b>			
25,687	Medical Foundation 1 Trainees	27,641	
30,627	Medical Foundation 2 Trainees	33,084	
158,504	Medical Core/Specialty Trainees	168,788	
990	Medical Training Fellowships	341	
7,384	Medical GP Trainee Support Expenditure <sup>2</sup>	9,060	
<b>223,192</b>	<b>Total Medical Training Grades</b>		<b>238,914</b>
4,974	Dental training grades		5,362
9,472	Dental GP Trainees		9,461
<b>14,446</b>	<b>Total Dental Training Grades</b>		<b>14,823</b>
8,177	<b>Clinical Psychology</b>		9,439
5,456	<b>Pre-reg Pharmacy Trainees</b>		6,304
1,990	<b>Healthcare Science</b>		2,247
<b>253,261</b>	<b>Total Postgraduate Expenditure</b>		<b>271,727</b>
<b>352,371</b>	<b>Total Direct Educational Non Pay Expenditure</b>		<b>375,463</b>

Although classified as non-pay expenditure for NES, the majority of the above figures will fund the salary costs of clinical staff employed by other organisations

1. Medical ACT includes the cost of supporting the expansion of undergraduate numbers, including widening access to students and bursary expenditure associated with the graduate entry programme ScotGEM, launched in 2017.

2. Medical GP Trainee Support Expenditure includes GP Trainer Grants and the total grant payments of £2,300k (2019: £1,720k) made to GP Trainees who take up a post in a remote or hard-to-fill location.

**Note 5. Other Educational Infrastructure Support - Non Pay Expenditure**

2019		2020
£'000		£'000
4,441	Medical Professional Development	3,483
1,102	Medical Quality Management	936
518	Medical Strategic Planning & Directorate Support	593
2,978	Medical Training Programme Management	3,971
376	Healthcare Science	279
9,862	Dental	10,074
8,330	Psychology	11,086
2,282	Pharmacy	2,015
7,514	Nursing, Midwifery and Allied Health Professionals	8,861
3,346	Knowledge Services	3,793
771	Optometry	724
1,228	NHS Workforce Support	1,321
1,587	Digital Systems Development & Support	951
208	NES Digital Services (NDS)	525
<b>44,543</b>	<b>Total Other Educational Support Non Pay Expenditure</b>	<b>48,612</b>

The above table includes expenditure relating to the Education and training support NES provides across different NHSScotland staff groups. Although classified as non-pay expenditure for NES, some of the figures fund the salary costs of clinical and non-clinical staff employed by other organisations. This is funded through formal provisions delivered in Universities, Dental Schools, Teach & Treat centres, in practice, and through the provision of an eLibrary service to provide access to training materials. Additionally, it includes expenditure relating to the provision of support for the development of staff through Leadership and Management Programmes, approved study leave, CPD and Fellowships in a non-NHS setting.

**Note 6. NES Infrastructure Non Pay Expenditure**

2019		2020
£'000		£'000
303	Internal Governance, Planning, Commissioning & Systems	252
4,019	Property & Facilities Management	4,247
144	Workforce Support	230
1,097	Digital Services	1,091
1,178	Depreciation and Amortisation	1,112
213	Corporate	245
(207)	Movement on Provisions - Annually Managed Expenditure	87
58	External Auditor's Remuneration - Statutory Audit Fee	59
60	Impairment of Assets - Annually Managed Expenditure	0
<b>6,865</b>	<b>Total NES Infrastructure Non Pay expenditure</b>	<b>7,323</b>

**Note 7. Other Operating Income**

2019		2020
£'000		£'000
25,139	NHS Scotland bodies	40,966
389	NHS Non-Scottish bodies	358
812	SGHSCD	974
756	License fees for E Portfolio system	781
321	GP CPD	346
480	Dental CPD	489
219	Scottish Patient Safety Programme Fellowship Fees	127
4,265	Overseas ACT Levy - Medical	5,460
740	Overseas ACT Levy - Dental	914
804	Other Income	722
0	Profit on Disposal of Non current Assets	2
<b>33,925</b>	<b>Total Other Operating Income</b>	<b>51,139</b>

Income from NHSScotland bodies includes recharges of £39,256k (2018 £23,982k) for the Lead Employer Programme for which NES was an Early Adopter in August 2017. The Programme was expanded in August 2018 and again in August 2019 to incorporate National Programme Trainees.

## Note 8. Segmental Analysis

Segmental information as required under IFRS has been reported for each strategic business area.

	Medical	Dental	Other Health		Digital	Corporate	Total
	£'000	£'000	NMAHP £'000	Professionals £'000	£'000	£'000	£'000
Net operating expenditure 2020	388,692	45,062	13,735	26,887	13,213	13,871	501,460
Net operating expenditure 2019	363,934	44,246	11,996	22,365	9,384	13,460	465,385

In the above, Other Health Professionals includes Optometry, Healthcare Science and Psychology; Digital includes the cost of all digital infrastructure and NDS; and Corporate includes Finance and Procurement, Workforce and Planning and Corporate Resources. Within Corporate Resources there is Property and Facilities Management.

NES considers the Chief Executive, as Accountable Officer, to be the Chief Operating Decision Maker. The segments reported in the annual accounts reflect the activities of NES in a way which is relevant to our many stakeholders including our funding body, the Scottish Government, and specifically, within the Scottish Government, the Chief Dental Officer, the Chief Nursing Officer and the Chief Medical Officer.

The annual accounts presented to the Executive Team, the Audit Committee and the Board are full IFRS accounts. Throughout the year, the financial information presented to the Executive Team, the Finance and Performance Management Committee and the Board are accruals-based management accounts. This presentation is adopted as, due to the nature of NES activities, the focus of performance management is on the control of expenditure and identification of output and outcomes. The preliminary year-end financial information presented in April/May to these groups is 'in draft' until the audited annual accounts are presented in June.

**Note 9. a) Intangible Fixed Assets – Current Year**

Current Year	Software licenses	Software	Websites	Assets under development	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>					
As at 1 April 2019	45	9,689	412	0	10,146
Additions	0	350	0	645	995
Disposals	0	(186)	0	0	(186)
<b>At 31st March 2020</b>	<b>45</b>	<b>9,853</b>	<b>412</b>	<b>645</b>	<b>10,955</b>
<b>Amortisation:</b>					
As at 1 April 2019	12	2,205	412	0	2,629
Provided during the year	3	305	0	0	308
Disposals	0	(186)	0	0	(186)
<b>At 31st March 2020</b>	<b>15</b>	<b>2,324</b>	<b>412</b>	<b>0</b>	<b>2,751</b>
<b>Net Book Value at 31 March 2019</b>	<b>33</b>	<b>7,484</b>	<b>0</b>	<b>0</b>	<b>7,517</b>
<b>Net Book Value at 31 March 2020</b>	<b>30</b>	<b>7,529</b>	<b>0</b>	<b>645</b>	<b>8,204</b>
<b>Asset financing:</b>					
Owned	30	7,529	0	645	8,204
<b>Net Book Value at 31 March 2020</b>	<b>30</b>	<b>7,529</b>	<b>0</b>	<b>645</b>	<b>8,204</b>



**Note 9. a) Intangible Fixed Assets – Prior Year**

Prior Year	Software licenses	Software	Websites	Assets under development	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>					
As at 1st April 2018	45	7,247	677	0	7,969
Additions	0	2,464	0	0	2,464
Disposals	0	(22)	(265)	0	(287)
<b>At 31 March 2019</b>	<b>45</b>	<b>9,689</b>	<b>412</b>	<b>0</b>	<b>10,146</b>
<b>Amortisation:</b>					
As at 1st April 2018	9	1,817	677	0	2,503
Provided during the year	3	350	0	0	353
Disposals	0	(22)	(265)	0	(287)
<b>Impairment charge</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>60</b>
<b>At 31 March 2019</b>	<b>12</b>	<b>2,205</b>	<b>412</b>	<b>0</b>	<b>2,629</b>
<b>Net book value at 31 March 2018</b>	<b>36</b>	<b>5,430</b>	<b>0</b>	<b>0</b>	<b>5,466</b>
<b>Net book value at 31 March 2019</b>	<b>33</b>	<b>7,484</b>	<b>0</b>	<b>0</b>	<b>7,517</b>
<b>Asset financing:</b>					
Owned	33	7,484	0	0	7,517
<b>Net book value at 31 March 2019</b>	<b>33</b>	<b>7,484</b>	<b>0</b>	<b>0</b>	<b>7,517</b>

**Note 9.b) Property Plant and Equipment – Current Year**

<b>Current Year</b>	<b>Transport equipment</b>	<b>Plant &amp; machinery</b>	<b>Information technology</b>	<b>Furniture &amp; fittings</b>	<b>Assets under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation:</b>						
As at 1 April 2019	591	694	2,780	5,298	28	9,391
Additions	0	308	590	8	0	906
Transfers	0	28	0	0	(28)	0
Disposals	(216)	(24)	0	(6)	0	(246)
<b>At 31st March 2020</b>	<b>375</b>	<b>1,006</b>	<b>3,370</b>	<b>5,300</b>	<b>0</b>	<b>10,051</b>
<b>Depreciation:</b>						
As at 1 April 2019	266	631	2,330	3,001	0	6,228
Provided during the year	54	39	133	578	0	804
Disposals	(216)	(24)	0	(6)	0	(246)
<b>At 31st March 2020</b>	<b>104</b>	<b>646</b>	<b>2,463</b>	<b>3,573</b>	<b>0</b>	<b>6,786</b>
<b>Net book value at 31 March 2018</b>	<b>325</b>	<b>63</b>	<b>450</b>	<b>2,297</b>	<b>28</b>	<b>3,163</b>
<b>Net Book Value at 31 March 2020</b>	<b>271</b>	<b>360</b>	<b>907</b>	<b>1,727</b>	<b>0</b>	<b>3,265</b>
<b>Asset financing:</b>						
Owned	271	360	907	1,727	0	3,265
<b>Net Book Value at 31 March 2020</b>	<b>271</b>	<b>360</b>	<b>907</b>	<b>1,727</b>	<b>0</b>	<b>3,265</b>

**Note 9. b) Property Plant and Equipment - Prior Year**

Prior Year	Transport equipment £'000	Plant & machinery £'000	Information technology £'000	Furniture & fittings £'000	Assets under Construction £'000	Total £'000
<b>Cost or valuation:</b>						
As at 1st April 2018	243	694	2,884	5,298	90	9,209
Additions	258	0	67	0	28	353
Transfers	90	0	0	0	(90)	0
Disposals	0	0	(171)	0	0	(171)
<b>At 31 March 2018</b>	<b>591</b>	<b>694</b>	<b>2,780</b>	<b>5,298</b>	<b>28</b>	<b>9,391</b>
<b>Depreciation:</b>						
As at 1st April 2018	225	576	2,350	2,423	0	5,574
Provided during the year	41	55	151	578	0	825
Disposals	0	0	(171)	0	0	(171)
<b>At 31 March 2018</b>	<b>266</b>	<b>631</b>	<b>2,330</b>	<b>3,001</b>	<b>0</b>	<b>6,228</b>
<b>Net book value at 31 March 2019</b>	<b>18</b>	<b>118</b>	<b>534</b>	<b>2,875</b>	<b>90</b>	<b>3,635</b>
<b>Net book value at 31 March 2019</b>	<b>325</b>	<b>63</b>	<b>450</b>	<b>2,297</b>	<b>28</b>	<b>3,163</b>
<b>Asset financing:</b>						
Owned	325	63	450	2,297	28	3,163
<b>Net book value at 31 March 2019</b>	<b>325</b>	<b>63</b>	<b>450</b>	<b>2,297</b>	<b>90</b>	<b>3,225</b>

**Note 10. Trade and Other Receivables**

2019		2020
£'000		£'000
<b>Receivables due within one year:</b>		
<b>NHSScotland</b>		
54	SGHSCD	132
367	Boards	256
<b>421</b>	<b>Total NHSScotland receivables</b>	<b>388</b>
96	NHS non-Scottish bodies	96
133	VAT recoverable	119
407	Prepayments	3,933
654	Accrued income	38
125	Reimbursement of provisions (CNORIS)	725
1,529	Other receivables	151
<b>3,365</b>	<b>Total receivables due within one year</b>	<b>5,450</b>
<b>0</b>	<b>The total receivables figure above includes a provision for impairments of</b>	<b>41</b>
<b>WGA Classification:</b>		
367	NHSScotland	256
187	Central Government bodies	252
96	Balances with NHS bodies in England and Wales	96
2,715	Balances with bodies external to Government	4,846
<b>3,365</b>	<b>Total</b>	<b>5,450</b>

Trade Receivables that are less than 3 months past their due date are not considered impaired. As at 31 March 2020, receivables with a carrying value of £265,814 (2019: £1,602,005) were past their date but not impaired. The ageing of receivables that are past due but not impaired is as follows:

2019		2020
£'000		£'000
1,481	Up to 3 months past due	537
44	3 to 6 months past due	13
77	Over 6 months past due	13
<b>1,602</b>	<b>Total Trade Receivables past due but not impaired</b>	<b>563</b>

Concentration of credit risk is limited due to the customer base comprising of 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 trade receivables. The credit quality of trade 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.

Trade Receivables that are neither past due nor impaired are shown by their credit risk below:		
<b>Counterparties with external credit ratings</b>		
154	A	246
<b>Counterparties with no external credit rating</b>		
115	New customers	46
0	Existing customers with no defaults in the past	5
0	Existing customers with some defaults in the past	0
<b>269</b>	<b>Total neither past due nor impaired</b>	<b>297</b>

The value of debt write-off in the year was £763 (2019: £253). The carrying amount of receivables are denominated in Great British Pounds.

**Note 11. Cash and Cash Equivalents**

	At 1 April 2019	Cash Flow	At 31 March 2020
<b>Current Year</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Banking Service account balance	181	97	278
Cash at bank and in hand	14	16	30
<b>Total cash and cash equivalents</b>	<b>195</b>	<b>113</b>	<b>308</b>
	At 1 April 2018	Cash Flow	At 31 March 2019
<b>Prior Year</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Banking Service account balance	254	(73)	181
Cash at bank and in hand	17	(3)	14
<b>Total cash and cash equivalents</b>	<b>271</b>	<b>(76)</b>	<b>195</b>

**Note 12. Trade and Other Payables**

2019		2020
£'000		£'000
<b>Payables due within one year</b>		
<b>NHSScotland</b>		
5,429	Boards	5,572
<b>5,429</b>	<b>Total NHSScotland payables</b>	<b>5,572</b>
316	NHS Non-Scottish bodies	0
195	Amounts payable to General Fund	308
515	Trade payables	3,568
7,804	Accruals	8,478
496	Deferred income	691
2,541	Income tax and social security	3,513
1,331	Superannuation	2,226
401	Holiday pay accrual	478
16	Other payables	64
<b>19,044</b>	<b>Total Trade and Other Payables due within one year</b>	<b>24,898</b>
<b>Payables due after more than one year</b>		
1,422	Other payables	1,012
<b>1,422</b>	<b>Total Trade and Other Payables after more than one year</b>	<b>1,012</b>
<b>20,466</b>	<b>Total Trade and Other Payables</b>	<b>25,910</b>
<b>£'000</b>	<b>WGA Classification</b>	<b>£'000</b>
5,429	NHS Scotland	5,572
3,872	Central Government Bodies	5,739
316	Balances with NHS Bodies in England and Wales	0
10,849	Balances with bodies external to Government	14,599
<b>20,466</b>	<b>Total Trade and Other Payables</b>	<b>25,910</b>

The carrying amount of payables are denominated in Great British Pounds.

**Note 13. a) Provisions**

Current Year	Clinical legal	Participation	Dilapidations	Total
	claims	in CNORIS		
	£'000	£'000	£'000	£'000
At 1 April 2019	157	74	3,984	4,215
Arising during the year	629	16	49	694
Utilised during the year	(6)	(1)	0	(7)
Unwinding of discount	0	0	0	0
Reversed unutilised	(1)	0	0	(1)
<b>At 31 March 2020</b>	<b>779</b>	<b>89</b>	<b>4,033</b>	<b>4,901</b>

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in Note 10.

Expected timing of discounted cashflows	Clinical legal	Participation	Dilapidations	Total
	claims	in CNORIS		
	£'000	£'000	£'000	£'000
Payable in one year	403	15	0	418
Payable between 2 - 5 years	376	53	2,101	2,530
Payable between 6 - 10 years	0	5	1,932	1,937
Thereafter	0	16	0	16
<b>At 31 March 2020</b>	<b>779</b>	<b>89</b>	<b>4,033</b>	<b>4,901</b>

Prior Year	Clinical legal	Participation	Dilapidations	Total
	claims	in CNORIS		
	£'000	£'000	£'000	£'000
At 1 April 2018	13	74	4,213	4,300
Arising during the year	155	36	(229)	(38)
Utilised during the year	(3)	(11)	0	(14)
Unwinding of discount	0	0	0	0
Reversed unutilised	(8)	(25)	0	(33)
<b>At 31 March 2019</b>	<b>157</b>	<b>74</b>	<b>3,984</b>	<b>4,215</b>

Expected timing of discounted cashflows	Clinical legal	Participation	Dilapidations	Total
	claims	in CNORIS		
	£'000	£'000	£'000	£'000
Payable in one year	157	30	0	187
Payable between 2 - 5 years	0	38	3,984	4,022
Payable between 6 - 10 years	0	6	0	6
Thereafter	0	0	0	0
<b>At 31 March 2019</b>	<b>157</b>	<b>74</b>	<b>3,984</b>	<b>4,215</b>

**Note 13. b) Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)**

2019			2020
£'000		Note	£'000
157	Provision recognising individual claims against the Board at 31 March	13a	779
(125)	Associated CNORIS receivable for individual claims at 31 March		(725)
74	Provision recognising the Board's liability from participating in the scheme at 31 March	13a	89
<b>106</b>	<b>Net total provision relating to CNORIS at 31 March</b>		<b>143</b>

CNORIS has been in operation since 2000. Participation in the scheme is mandatory for all NHS Boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within Boards' own budgets. If a claim is greater than £25k and is settled then the Board is 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 assesses whether a provision or contingent liability for that legal claim is required. If a provision is required then the Board also creates an associated receivable, recognising reimbursement from the scheme if the legal claim settles, provided the provision for a claim exceeds £25k. The provision and associated receivable is shown in separate lines above.

Additionally, as a result of participation in the scheme, NHS Boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual Board. Boards also recognise that there is a requirement to make contributions to the scheme in future years. Therefore, a second provision that recognises the Board's share of the total CNORIS liability of NHSScotland has been made and this is reflected in the table above.

Therefore there are two related, but distinct, provisions required as a result of participation in the scheme. Clinical and Medical Legal £779k relates to claims against NES, and the participation in CNORIS £89k relates to the NES share of the total NHSScotland liability. The annual cost of participating in the CNORIS scheme is an expenditure which is charged to the SoCNE.

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



**Note 14. Commitments Under Lease****Operating Leases**

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

2019		2020
£'000		£'000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
1,796	Not later than one year	1,850
1,796	Later than one year, not later than 2 years	1,704
4,334	Later than two years, not later than five years	1,526
1,472	Later than five years	467
<b>9,398</b>	<b>Total Buildings</b>	<b>5,547</b>
<b>Other</b>		
12	Not later than one year	7
8	Later than one year, not later than 2 years	6
16	Later than two years, not later than five years	12
0	Later than five years	1
<b>36</b>	<b>Total Other</b>	<b>26</b>
<b>Amounts charged to operating expenditure in the year were:</b>		
28	Hire of equipment (including vehicles)	11
1,729	Other operating leases	1,850
<b>1,757</b>	<b>Total</b>	<b>1,861</b>

## 15. Pension Costs

### National Health Service Superannuation Scheme

NHS Education for Scotland 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 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% from employees' contributions.

NHS Education for Scotland has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Education for Scotland is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate for the period from 1<sup>st</sup> April 2019 is 20.9% of pensionable pay. While the employee rate applied is a variable it is anticipated to provide an actuarial yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme. NHS Education for Scotland's level of participation in the scheme is 1.76% based on the proportion of employer contributions paid in 2018/19.

### The current NHS Pension Scheme (Scotland) 2015

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

### The previous NHS Superannuation Scheme (Scotland) Section 1995 and Section 2008

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

**Note 15. Pension costs (continued)**

the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

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

**National Employment Savings Trust (NEST)**

The Pensions Act 2008 and 2011 automatic enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), NES 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 automatic enrolment. Contributions are taken from qualifying earnings, which are currently from £6,032 up to £46,350, but will be reviewed every year by the Government. The initial employee contribution was 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by the Government.

<b>Date</b>	<b>Employee Contribution</b>	<b>Employer Contribution</b>	<b>Total Contribution</b>
1st March 2013	1%	1%	2%
1st April 2018	3%	2%	5%
1st April 2019	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 NES 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 the Government and is accountable to Parliament through the Department for Work and Pensions.

**Note 16. Financial Instruments****a) Financial Instruments by Category**

<b>Financial Assets</b>	<b>Loans and</b>	
<b>At 31 March 2020:</b>	<b>Receivables</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets per Statement of Financial Position</b>		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	285	285
Cash and cash equivalents	308	308
	<b>593</b>	<b>593</b>
<b>Financial Assets</b>		
<b>At 31 March 2019:</b>	<b>Loans and</b>	<b>Total</b>
	<b>receivables</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets per Statement of Financial Position</b>		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	2,279	2,279
Cash and cash equivalents	195	195
	<b>2,474</b>	<b>2,474</b>
<b>Financial Liabilities</b>		
<b>At 31 March 2019:</b>	<b>Other</b>	<b>Total</b>
	<b>financial</b>	<b>£'000</b>
	<b>liabilities</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Liabilities per Statement of Financial Position</b>		
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	13,908	13,908
	<b>13,908</b>	<b>13,908</b>
<b>Financial Liabilities</b>		
<b>At 31 March 2018:</b>	<b>Other</b>	<b>Total</b>
	<b>financial</b>	<b>£'000</b>
	<b>liabilities</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Liabilities per Statement of Financial Position</b>		
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	10,669	10,669
	<b>10,669</b>	<b>10,669</b>

**Note 16. Financial Instruments (continued)****b) Financial Risk Factors**

NES'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 NES 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, NES is not exposed to the degree of financial risk faced by business entities.

The Board provides written principles for overall risk management. The risks associated with the ongoing business of NES, and the achievement of its strategic and operational aims, are managed through a system of Risk Registers held at different levels throughout the organisation. These provide a mechanism through which risk management information can be gathered, reported on and action formulated across NES. This ensures that potential threats to, and challenges within, systems are identified at strategic and operational levels, and risk assessment of their impact is undertaken in conjunction with relevant parties.

**16b (i) 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 NES.

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.

**16b (ii) Liquidity Risk**

The Scottish Parliament makes provision for the use of resources by NES 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. NES is therefore not exposed to significant liquidity risks.

**Note 16. Financial Instruments (continued)****16b (ii) Liquidity Risk (continued)**

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

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 March 2020:</b>				
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	12,896	348	664	0
<b>Total</b>	<b>12,896</b>	<b>348</b>	<b>664</b>	<b>-</b>

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 March 2019:</b>				
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	9,247	379	873	170
<b>Total</b>	<b>9,247</b>	<b>379</b>	<b>873</b>	<b>170</b>

**16b (iii) Market Risk**

NES 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 NES in undertaking its activities.

**a) Cash flow and fair value interest rate risk**

NES 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.

**b) Foreign Currency Risk**

NES is not exposed to foreign currency risk.

**c) Price risk**

NES is not exposed to equity security price risk.

**16b (iv) Fair Value Estimation**

The carrying value of cash and cash equivalents is assumed to approximate their fair value.

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

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

**Note 17. Related Party Transactions**

There are related party transactions with other Government departments and other central Government bodies. NES spent £383.8 million with other NHSScotland Boards There was income of £1.5 million from other NHSScotland Boards

Executive Board Members had no material interests in contracts or potential contracts with the organisation. One Non-executive Director holds a position with Robert Gordon University. As a non-executive Director, they do not influence operational decisions of this nature. NES spent £280k with Robert Gordon's University in the year and has no outstanding balance at year-end. One Executive Director, who was appointed on 1 December 2019, holds a post with Royal College of Surgeons Of Edinburgh. In the year we expended £45k and had sales income of £36k, which consisted mostly of salary recharge income. There are no outstanding payables at year-end and £8k of outstanding receivables.

**Note 18. Capital Commitments**

The Board has no capital commitments.

## Glossary of Terms

Acronym	Description	Acronym	Description
ACT	Additional Cost of Teaching	NMAHP	Nursing Midwifery and Allied Health Professionals
BMA	British Medical Association	PAO	Principal Accountable Officer
CAMHS	Child & Adolescent Mental Health Services	PCCP	Person-Centred Care and Participation.
CARE	Career Average Re-valued Earnings	PDPR	Personal Development Planning and Review
CETV	Cash Equivalent Transfer Values	PEF	Practice Education Facilitator
CHEF	Nursing & Midwifery Care Home Education Facilitator	PFM	Property and Facilities Management
CNORIS	Clinical Negligence and Other Risks Indemnity Scheme	QI	Quality Improvement
CPD	Continuing Professional Development	RRL	Revenue Resource Limit
CPI	Consumer Prices Index	ScotGEM	Scottish Graduate Entry Medicine Programme
CRL	Capital Resource Limit	SGHSCD	Scottish Government Health and Social Care Directorate
eKSF	Electronic Knowledge and Skills Framework	SFC	Scottish Funding Council
FReM	Financial Reporting Manual	SIFS	Scottish Improvement Foundation Skills
GP	General Practice/Practitioner	SoCNE	Statement of Comprehensive Net Expenditure
GPhC	General Pharmaceutical Council	SPFM	Scottish Public Finance Manual
HCPC	Health and Care Professional Council	SPPA	Scottish Public Pensions Agency
ICO	Information Commissioner's Office	SSSC	Scottish Social Services Council
IFRIC	International Financial Reporting Interpretations Committee	TPD	Training Programme Director
IFRS	International Financial Reporting Standards	UG	Undergraduate
NDS	NES Digital Service	VAT	Value Added Tax
NES	NHS Education for Scotland	VT	Vocational Training
NEST	National Employment Savings Trust	WTE	Whole Time Equivalent



This resource may be made available, in full or summary form, in alternative formats and community languages. Please contact us on **0131 656 3200** or email **altformats@nes.scot.nhs.uk** to discuss how we can best meet your requirements.



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