

# Annual Report and Accounts

## FOR THE YEAR ENDED 31 MARCH 2019



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# Introduction

Having the right number of skilled, trained and supported staff, in the right place, at the right time, and in the right roles, is essential to providing high quality health and care services, which address health inequalities and encourage and support people to take more responsibility for their own health and well-being.

Over the last 12 months, we have continued to develop the work we do, supporting:

- **An excellent workforce**

We have extended our work with partners in areas such as attraction, recruitment and retention, improving the employment

experience, and organisational and leadership development. For example, this year NES, along with NHS Lothian, Grampian and Greater Glasgow & Clyde, has become a lead employer for doctors in training, cutting the paperwork, administration time, and costs for doctors and NHSScotland, since they no longer need to change employer every 6-12 months. We also continue to support the expansion of undergraduate numbers and widening access to students from disadvantaged backgrounds, with the launch of a pre-medical entry programme to support students to gain the necessary experience and qualifications. In April 2018 Project Lift, a national talent management methodology and a leading-edge approach to leadership development for aspiring Directors, was launched. This supports staff at all levels to understand their leadership potential in terms of values, ability, ambition and insight.

- **Improved quality**

Our programmes support health and social care staff to develop and improve the services they deliver. Our range of Quality Improvement programmes provide skills, coaching and new techniques for all kinds of staff, whether in clinical or non-clinical roles, at the start of a career or in a senior position.

- **New models of care**

We continue to develop competency and career development frameworks, accompanied by educational resources that support staff to develop their careers, and to enhance their practice in new and extended roles that support new models of care. This has included supporting pharmacists and others to develop their skills to work in general practice.

- **Enhanced educational infrastructure**

At the request of Scottish Government, this year we established the NES Digital Service (NDS) to develop a national digital platform, as set out in the Digital Health and Care Strategy for Scotland. This aligns with the digital solutions we are already delivering to support workforce and business services and the work we are leading to join up workforce supply side data and provide analysis to inform workforce planning. During 2018/19 we launched Turas Appraisal, the replacement for the electronic knowledge and skills framework (e-KSF) and Turas People which provides critical digital infrastructure enabling the adoption of the Lead Employer model for doctors in training across Scotland.



- An improved organisation

This year we have also worked with stakeholders to develop a new Strategic Plan for 2019-2024, which articulates the contribution that we will make to ensure a skilled and sustainable workforce to deliver service transformation and health and social care integration. This is available from our Corporate Publications page at [www.nes.scot.nhs.uk](http://www.nes.scot.nhs.uk).

We believe that progress over the last 12 months, together with our new Strategy, will make an important contribution to a high quality workforce and digital support for local, regional and national health and care services. Through our leadership commitment and collaborative working we will build on our past successes to help develop health and social care services fit for the future.

We are grateful for the very considerable contribution made by our staff, our board members, and our stakeholders to ensure the continued success of NHS Education for Scotland (NES) in delivering against its key objectives.



David Garbutt  
Chair



Caroline Lamb  
Chief Executive

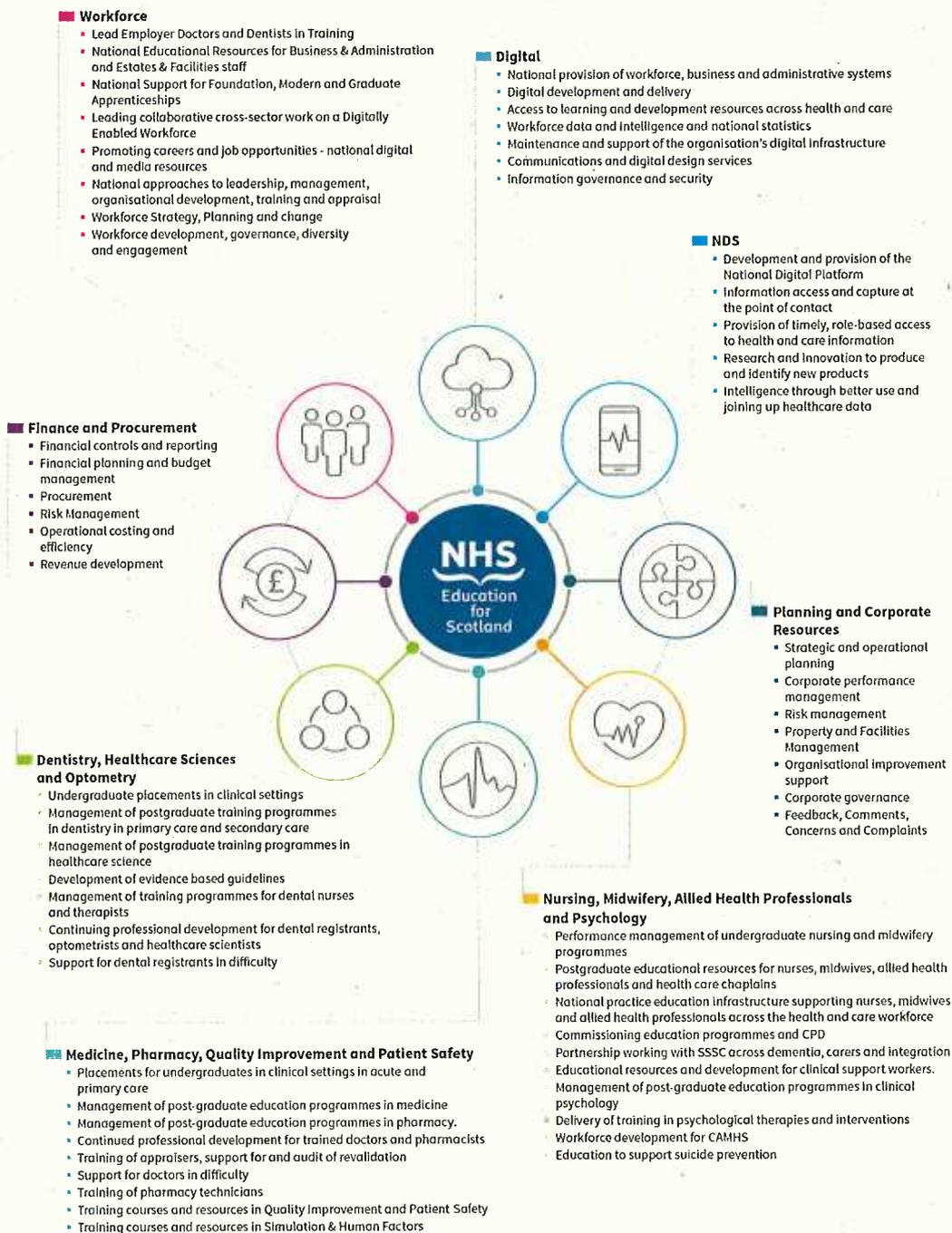
# Performance Report

## 1. 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

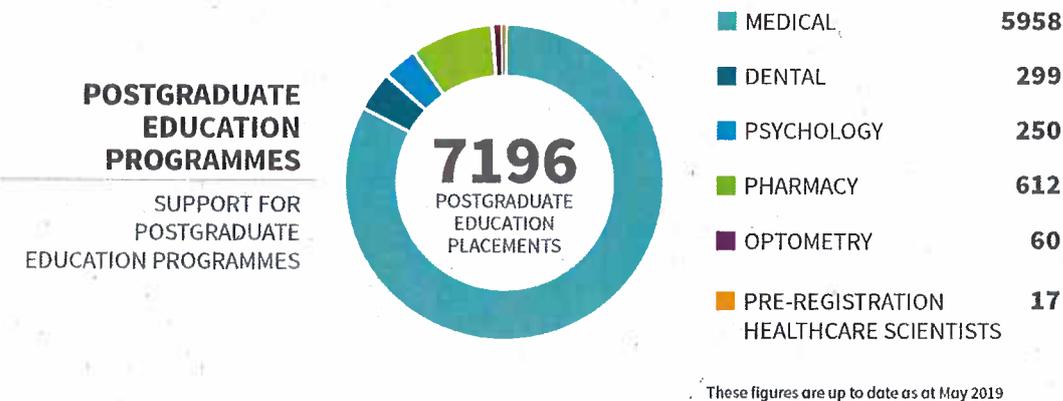
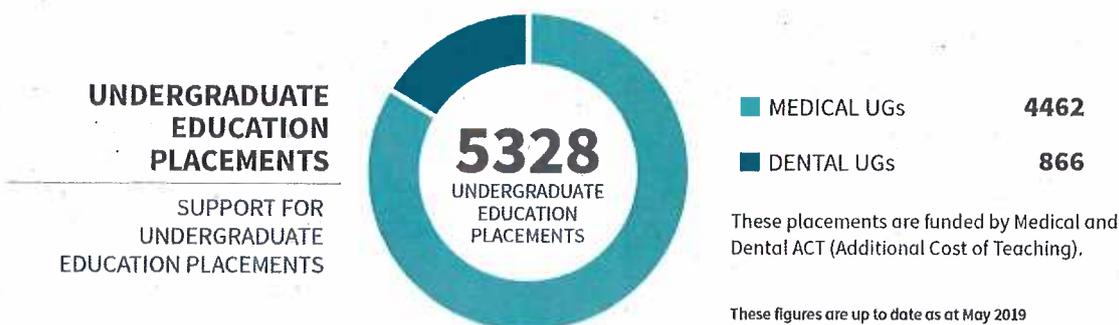
Within our organisation we are structured into eight Directorates:



Our activities can be described under three main headings:

1. Providing placement opportunities for undergraduate students, and 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.

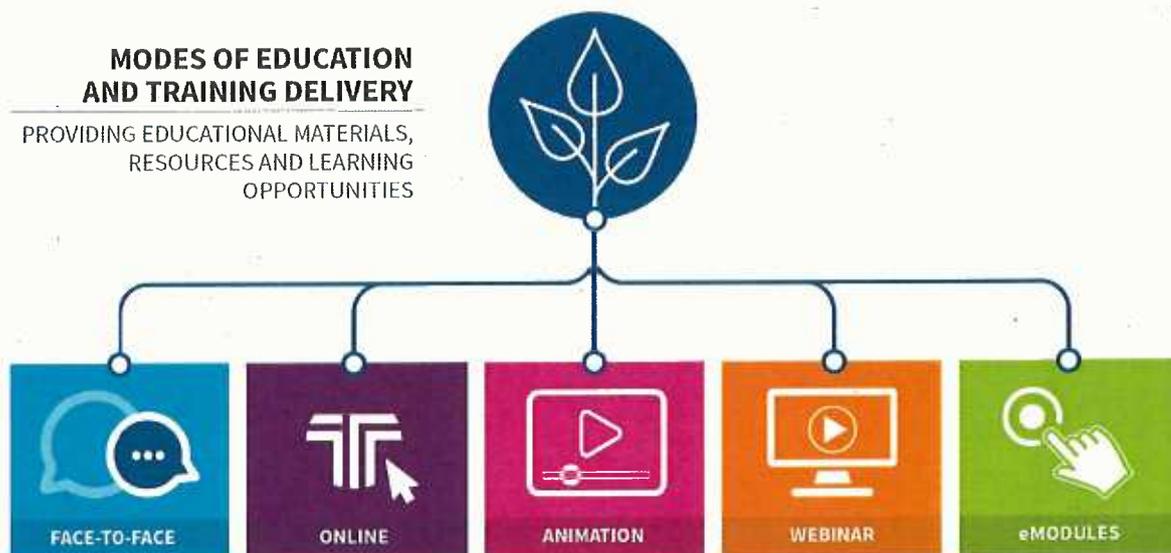
**1) Providing placement opportunities for undergraduate students and recruiting and managing progression through structured post-graduate training programmes**



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:



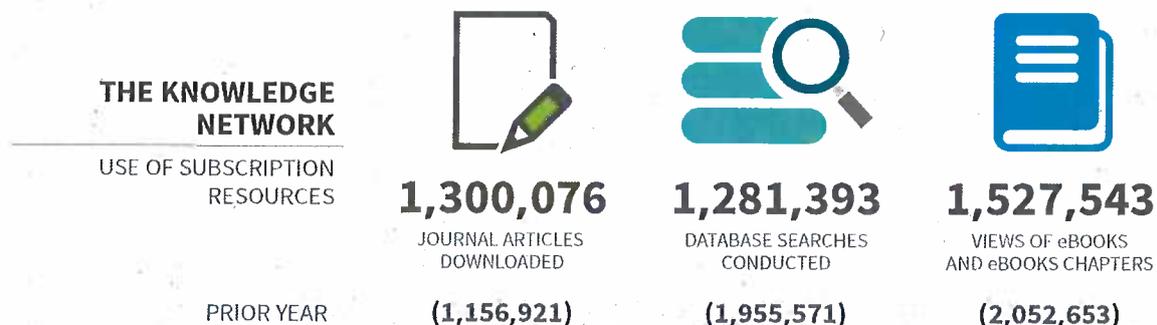
### 2.1) Face-to-face

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 continued to deliver our Knowledge Network, while migrating more resources away from separate websites to our one-stop digital platform, Turas (see 3.3).



The rise in journal downloads, with a reduction in databases searches, is the result of an improved Knowledge Network Library Search which is enabling users to find journal articles easier without the need to use the databases. The reduction in eBook views is due to users preferring to access the British National Formulary (BNF) via the mobile app rather than the website. Use of our other eBook collections increased during the year. By delaying the collation of the statistics used above, our suppliers have been able to provide us with more accurate usage numbers and as a result we have been able to update the figures previously reported for 2017/18.

## 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. This year we delivered 83 webinars to 928 participants.

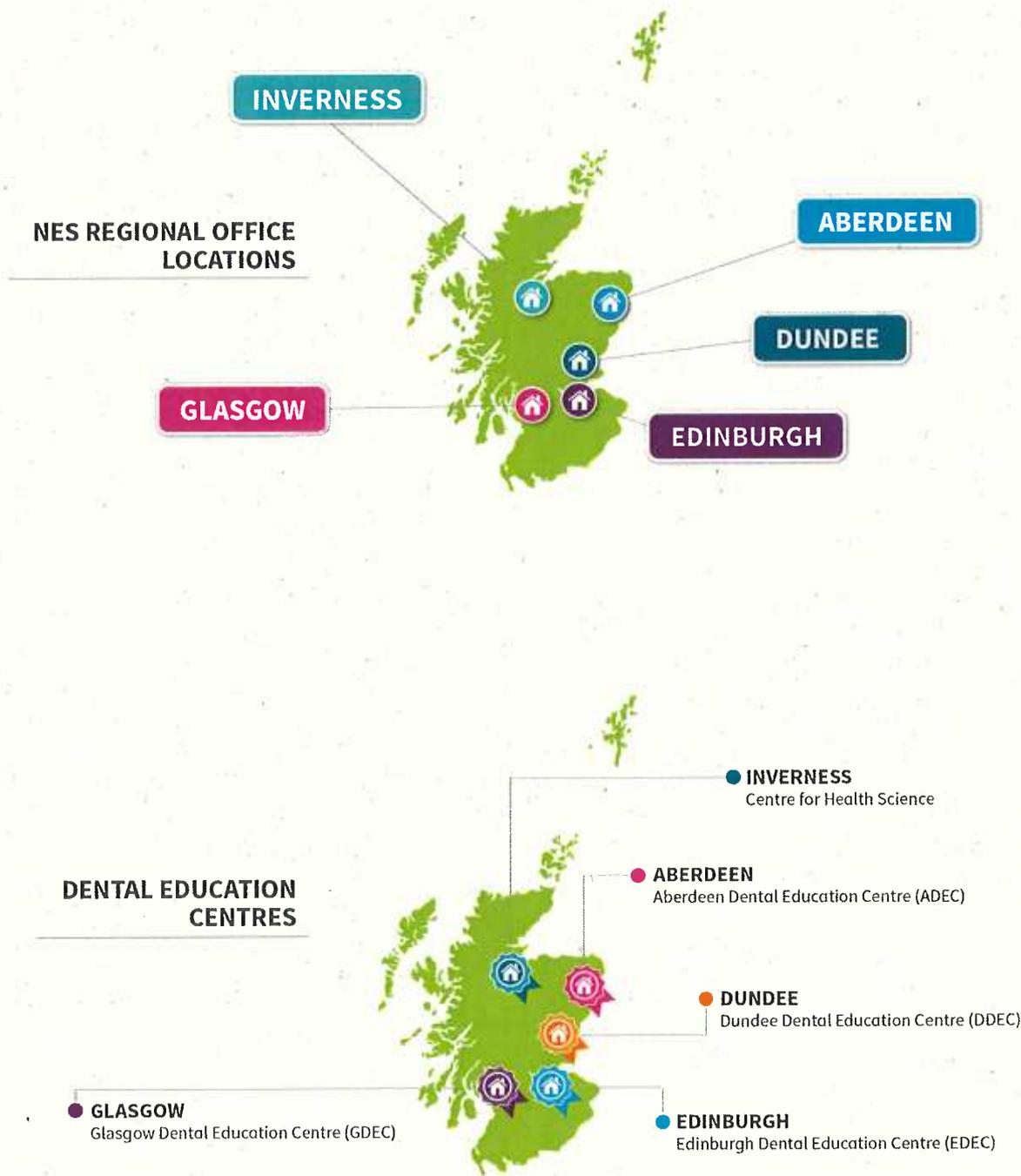
## 2.5) eModules

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.

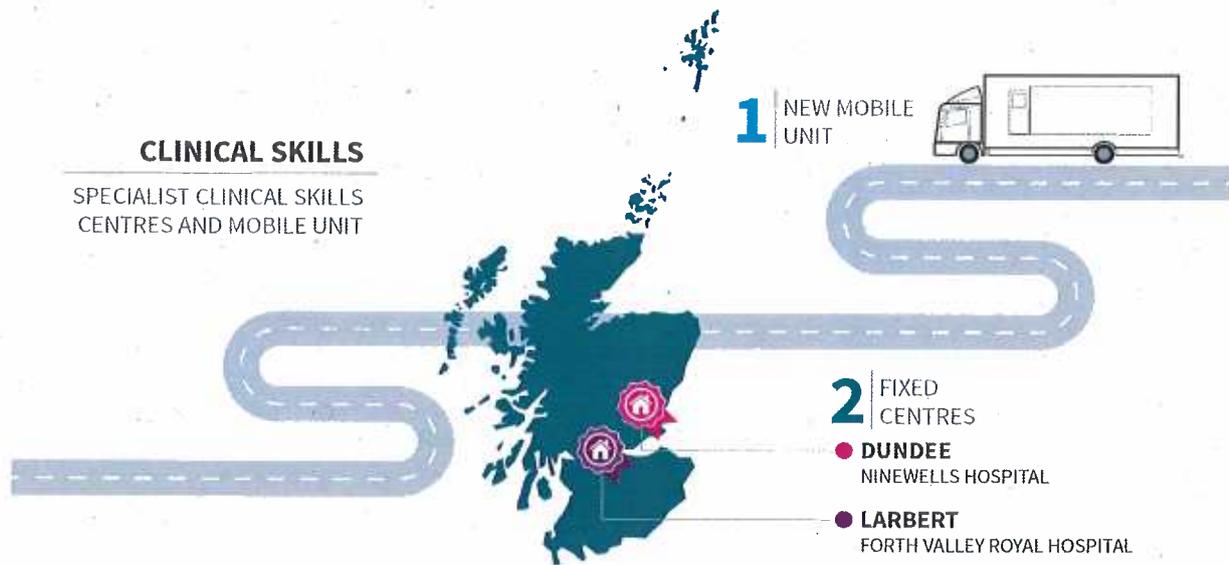


The Teach and Treat centres we support provide teaching opportunities for undergraduate and post graduate practitioners.



These figures are up to date as at May 2019

We also support specialist clinical skills centres and provide a mobile unit which supports training in remote and rural locations. This year we commissioned and took ownership of a new Mobile Skills Unit, which supports training across the country. During 2018/19 the Unit facilitated the training of 1351 people (905 NHS staff; 369 public – mainly school pupils; 45 emergency services; 32 other).

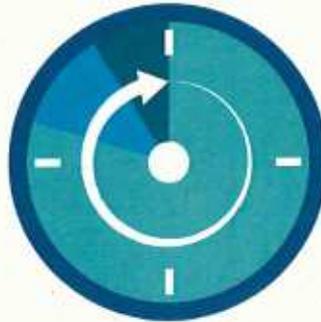


### 3.2) People infrastructure: Trainers and Educators

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.

#### NMAHP EDUCATION NETWORK

WTEs WITHIN NMAHP EDUCATION NETWORK



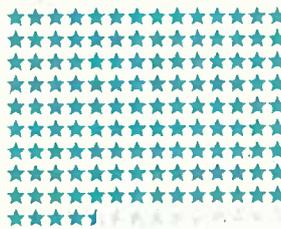
■ NURSING AND MIDWIFERY PRACTICE EDUCATION FACILITATOR (PEF)	<b>99.50</b>
■ NURSING AND MIDWIFERY CARE HOME EDUCATION FACILITATOR (CHEF)	<b>14.00</b>
■ ALLIED HEALTH PROFESSIONAL PRACTICE EDUCATION LEAD (AHP PEL)	<b>11.00</b>

We provide support to nursing, midwifery and AHP undergraduate students via our Practice Education infrastructure of Practice Education Facilitators (PEFs) and Care Home Education Facilitators (CHEFs)

These figures are up to date as at May 2019

#### MEDICAL

TRAINING PROGRAMME DIRECTORS



**130.5** TPD SESSIONS  
1 SESSION = 4 HOURS

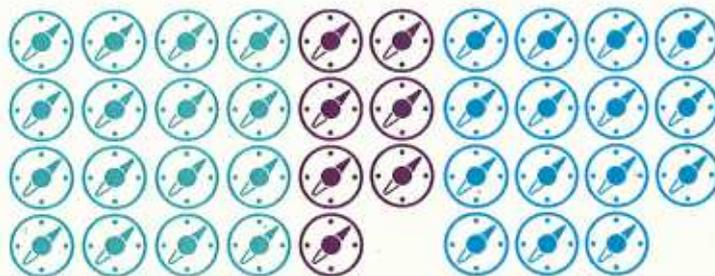


EQUIVALENT TO **13.05** WTE @ 40HR WEEK

These figures are up to date as at May 2019

#### DENTAL

TRAINING PROGRAMME DIRECTORS HEADCOUNT



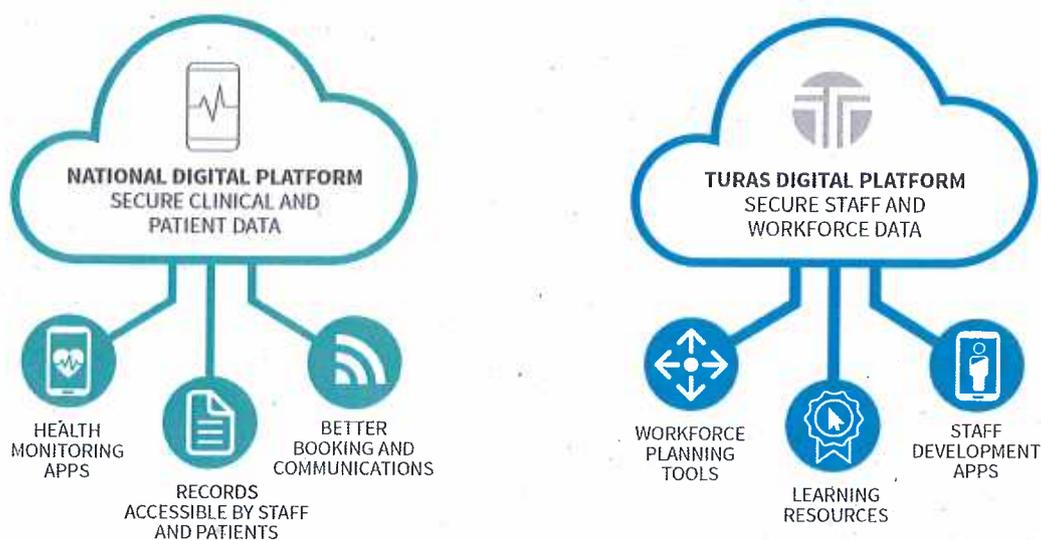
**38** TOTAL    **16** ADVISORS (VT)    **7** ADVISORS (CORE)    **15** ADVISORS (SPECIALTY)

These figures are up to date as at May 2019

The Advisors (VT) support the one year Vocational Training 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) 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

Our digital landscape continues to grow and benefit staff and patients, not just in Scotland, but beyond. This year, at the request of Scottish Government, we established the NES Digital Service (NDS) to develop a national digital platform for clinical data, creating the infrastructure for clinical and patient-focused applications. This aligns with the digital solutions we are already delivering to support workforce and business services and the work we are leading to join up workforce supply side data; and provide analysis to inform workforce planning.

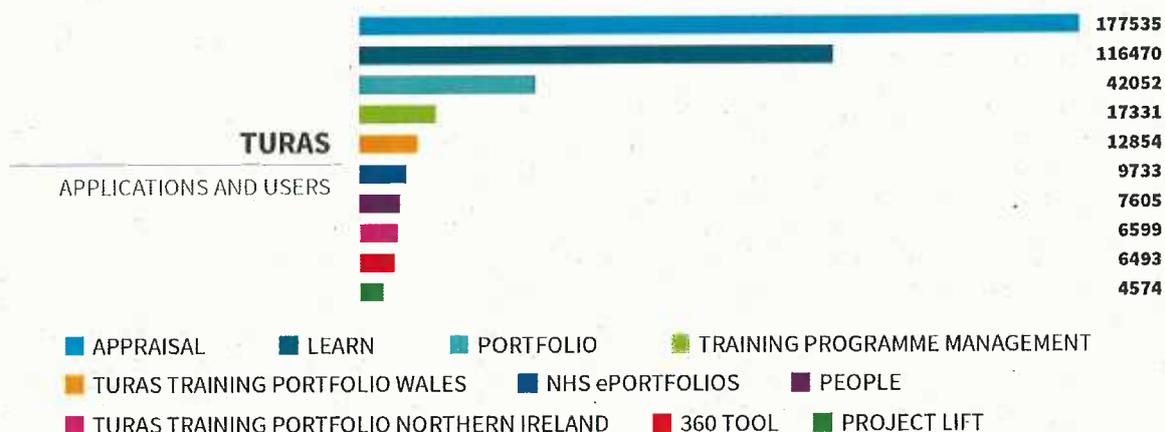


Turas, our staff and workforce focused digital platform, is accessible from any device, regardless of employer, thereby enabling better integration of information and smarter working. All developments are focused around the needs of the user.

In the last year we have successfully planned, built and rolled out the Turas Appraisal application, allowing easier management of ongoing staff development, and created the digital infrastructure to support the Lead Employer Programme. The Lead Employer model creates a single employer, for medical trainees, for the duration of their training programme, creating efficiencies for NHSScotland and improving the workplace experience for doctors, since they no longer need to change employer every 6-12 months. We have also created a Talent Management Self-Assessment App on Turas, to support Project Lift.

### 3.3) Digital Infrastructure (continued)

#### The growing Turas application family:



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



The Direct Educational Expenditure in Note 4 of £352,371k (2018: £336,111k) flows to Health Boards and Medical and Dental General Practices. The expenditure relating to Educational Support in Note 5 of £44,543k (2018: £43,028k) 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 in the last year continued to develop our contribution to collaborative working, aligning with the 2016 Health and Social Care Delivery Plan.

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 our recently published Strategic Plan 2019-2024.

NES has been at the heart of the National Boards' Collaboration. We have been tasked, under the National Workforce Plan for Health and Care, to deliver a workforce data platform, bringing together the disparate sources of workforce data to produce a single source of supply side information.

This year, at the request of Scottish Government, we established the NES Digital Service (NDS) to develop a national digital platform.

We have also extended our work with partners to improve the employment experience. For example, this year NES, along with NHS Lothian, Grampian and Greater Glasgow & Clyde, has become a lead employer for medical trainees for the duration of their training programme.

## 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, through considering our corporate risk register as a standing item at each meeting of the Board. During 2018/19 we have continued to focus on the strategic, operational, financial and governance risks. The main risks that have been highlighted are around 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 workforce in a number of key areas. This has included the potential impact of Brexit on the attraction and retention of both undergraduate students and post graduate trainees.

Details of the performance of NES against our key non-financial targets is contained in section 2c (Page 17) of this report. Recruitment to Specialist Training in some key medical specialties, and some geographies remains very challenging and this is reflected in the fill rates shown in the tables on pages 21 and 23.

## 2. Performance Analysis

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

### a) 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 2018/19 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	464,723	464,354	369
Revenue Resource Limit - Non Core	1,067	1,031	36
<b>Total Revenue Resource Limit</b>	<b>465,790</b>	<b>465,385</b>	<b>405</b>
Capital Resource Limit - Core	2,900	2,817	83
Cash Requirement	463,264	463,264	(0)

## Memorandum for In Year Outturn

	£000's
REPORTED SURPLUS IN 2018-19	405
APPROVED CARRY FORWARD SURPLUS FROM 2017-18	309
SURPLUS AGAINST IN YEAR TOTAL REVENUE RESOURCE LIMIT	96

### b) 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 57 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. Accordingly, the accounts have been prepared on the going concern basis.

#### Outstanding Liabilities

NES has recognised a dilapidation liability of £3,984k (2018: £4,213k) 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 4 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 £106k provision is in Note 13b.

#### Prior Year Adjustments

There are no prior year adjustments.

**Significant Changes in Non-Current Assets****Intangible:**

NES has invested a further £2,397k 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. This has enabled further development of existing Turas applications such as the Turas People application and the development of new applications eg Turas Appraisal. Turas People supports the Lead Employer model to enhance the employment experience of Doctors and Dentists in Training. Turas Appraisal replaced eKSF across NHSScotland as the national electronic application for recording summaries of annual Personal Development Planning and Review (PDPR) discussions.

**Property, Plant and Equipment :**

NES has invested £258k in the Mobile Skills Unit which allows a broad range of clinical skills to be delivered across geographical and professional boundaries. NES has also invested in new video conferencing equipment and an additional air conditioning unit to support the resilience of the IT server environment.

**Pension Liabilities**

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

**Post Statement of Financial Position Items**

There are no post Statement of Financial Position items

**Impact of Lead Employer Arrangements**

NES has become one of four lead Employers for all Doctors in Training within NHSScotland. While having previously employed GP Trainees whilst they were in a practice placement, now GP Trainees are employed by NES for the duration of their training programme, including hospital placements.

The impact of this is reflected in the SoCNE in staff expenditure and income. The expenditure relating to GP Trainees whilst they are in a hospital placement is recharged to the Placement Health Board. This has led to an increase in staff expenditure of approximately £24m, which is offset by an increase in income from NHSScotland bodies. We are also reporting an increase in staff composition.

### c) 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.

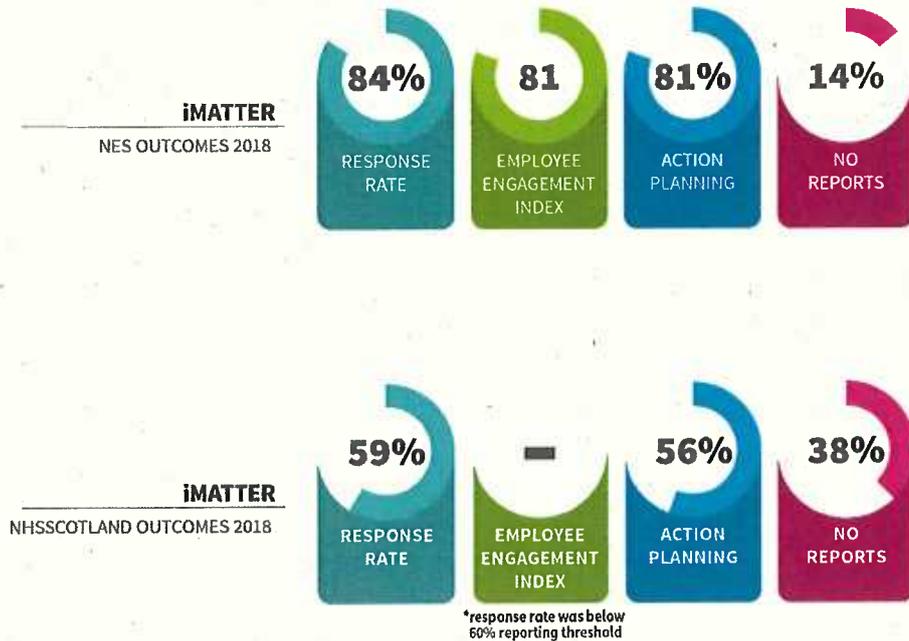
Actual performance in respect of non-NHS Trade Creditors is reported in the table below:

NON-NHS SUPPLIERS	2017/18	2018/19
AVERAGE CREDIT TAKEN	10 days	10 days
% OF INVOICES (BY VALUE) PAID WITHIN 30 DAYS	94%	91%
% OF INVOICES (BY VOLUME) PAID WITHIN 30 DAYS	95%	95%
% OF INVOICES (BY VALUE) PAID WITHIN 10 DAYS	79%	79%
% OF INVOICES (BY VOLUME) PAID WITHIN 10 DAYS	86%	88%

#### Staff Engagement and Staff Governance

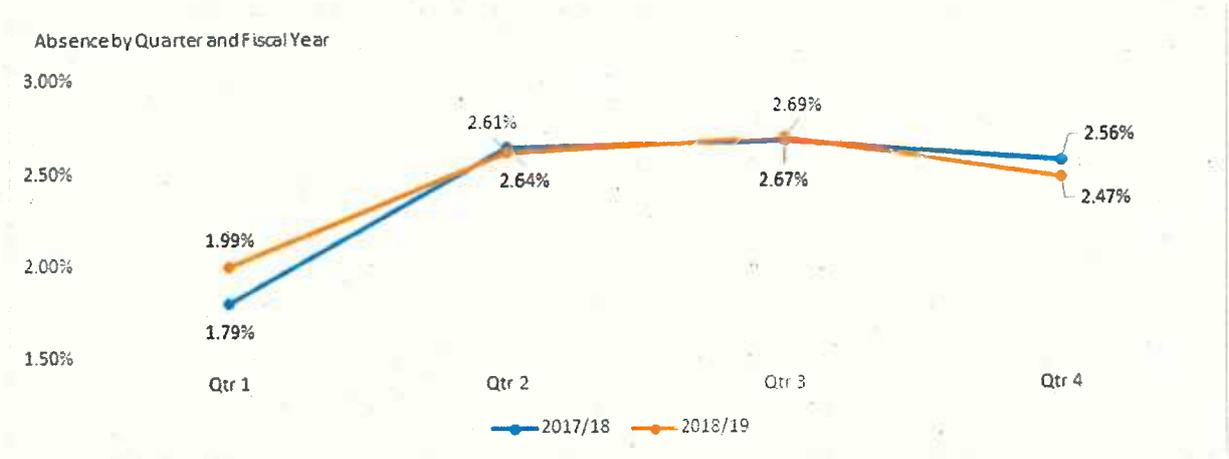
The Employee Engagement Index, which is generated from the annual staff survey "iMatter", is the key performance measure in this area. It aligns with the Staff Governance Standard i.e. Well Informed, Appropriately Trained, Treated Fairly and Consistently, Involved in Decisions and operating within a Health, Safety and Wellbeing environment. The diagram below highlights performance across all areas for 2018/19. Each element shows an improvement from 2017/18 results.

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



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

**NES Core Staff Absence by Quarter during 2018/19 (this excludes GP Trainees)**



Our absence rates remain fairly steady at an average of 2.44% for 2018/19 which compares favourably to the NHSScotland average of 5.39%.

### NES Essential Learning Completion Rates in 2018/19

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 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19
Counter Fraud	89%	91%	90%	87%
Equality & Diversity	90%	87%	N/A	N/A
Health & Safety	57%	60%	67%	63%
Information Governance	79%	81%	83%	80%

The Equality & Diversity essential learning module was decommissioned in Q3 2018/19 and a new module launched in May 2019. All staff are required to complete the new module within 4 months of launch.

Health & Safety rates show a decrease compared to prior year, however on investigation it was established that the functionality of automatic alerts was not operating effectively. Actions were agreed to improve systems functionality, reporting and follow up within teams. Performance in 2018/19 did show improvement and this will continue to be robustly monitored by the Staff Governance Committee during 2019/20.

### 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 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which NES is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports. NES submitted a report in September 2018 outlining performance against several key indicators in

2018/19, which will be published on the Sustainability Action website in 2019. 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>.

**d) Performance Against Key Operational Targets during 2018/19**

**Operational Performance Management**

For 2018/19, the NES Board agreed our Local Delivery Plan and detailed operational plan. The detailed plan for 2018/19 contained 484 performance targets, of which 57 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 2014-19. Performance updates are provided on a quarterly basis and reported to the Finance and Performance Management Committee and the NES Board. The 2018/19 targets by strategic theme are shown below.

**PRIORITY TARGETS**

SUMMARY BY STRATEGIC THEME

**AN EXCELLENT WORKFORCE**



**IMPROVED QUALITY**



**NEW MODELS OF CARE**



**AN IMPROVED ORGANISATION**



**ENHANCED EDUCATIONAL INFRASTRUCTURE**



**TOTAL PRIORITY TARGET PERFORMANCE**



**ALL TARGETS**

SUMMARY BY STRATEGIC THEME

**AN EXCELLENT WORKFORCE**



**IMPROVED QUALITY**



**NEW MODELS OF CARE**



**AN IMPROVED ORGANISATION**



**ENHANCED EDUCATIONAL INFRASTRUCTURE**



**TOTAL TARGET PERFORMANCE**



During 2018/19, 422 (87%) of all targets were achieved, 48 (10%) were partially completed and 14 (3%) were not completed. Within the priority targets during 2018/19, 49 (86%) priority targets were achieved, 5 (9%) priority targets were partially achieved and 3 (5%) priority targets were not achieved.

Of the three priority targets that were not achieved, one relates to the collaborative property and facilities management (PFM) services review being developed across national boards. This work is ongoing, but the scope and timescales have evolved and the specific target set at the start of the year has been superseded. The second priority work target not achieved relates to Dental Core Training, where there has been difficulty recruiting to some Dental Core Training Posts. This mirrors the situation in other parts of the UK and has resulted in changes to the configuration of a number of Scottish posts for 2019/20, in an effort to make them more attractive. The third target relates to the training of specialty training grade dentists, where 43 have completed their training, against a target of 45.

Of the remaining work not achieved during 2018/19, two finance targets to develop a finance information strategy and monthly training grade trend analysis reports have been delayed due to staff recruitment challenges. Two medical targets relating to the GP returners programme fell short of target, with lower than expected numbers attending the returners programme and completing enhanced induction. Another medical target to provide consistent training to nurses and doctors working in custody environments in Scotland has been significantly delayed due to recruitment difficulties. An element of PFM work that was not completed is the development of a new digital service desk and room booking system with remote access for all sites. A strategic decision was made to change the service provider for this work due to licence changes. An alternative arrangement which still allows users remote access is now being progressed.

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

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

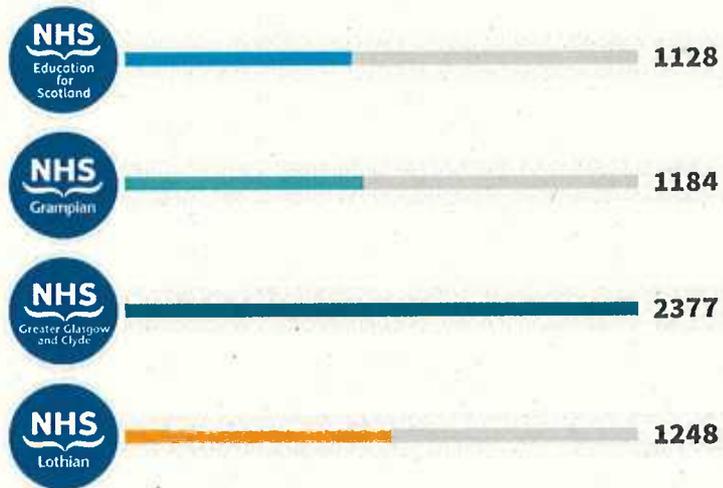
As detailed in note 4 of the Annual Accounts, £253m of the NES budget directly supports post graduate training across Scotland.

NES works with Scottish Government and NHSScotland boards to increase the attractiveness of Scotland as a training location. This year NES, along with NHS Lothian, Grampian and Greater Glasgow & Clyde, has become a lead employer for medical 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	850	830	98%	98%
RECRUITMENT TO CORE TRAINING	337	312	93%	97%
RECRUITMENT TO SPECIALIST TRAINING	838	687	82%	96%

**DOCTORS IN TRAINING**

TRAINEES PER  
EMPLOYING BOARD  
AUGUST 2018



**DOCTORS IN TRAINING**

TRAINEES PER  
PLACEMENT BOARD  
AUGUST 2018



This year we have been working with the British Medical Association (BMA), Boards and Scottish Government on working groups and initiatives to increase flexibility and wellbeing and reduce fatigue. These are due to report in 2019.

We continue to support the expansion of undergraduate numbers and widening access to students from disadvantaged backgrounds. This year saw the launch of a pre-medical entry programme to support students to gain the necessary experience and qualifications. The graduate entry programme (ScotGEM) which launched in 2017 now has a 'return to service' bursary available to students from autumn 2018.

Within Dentistry, graduates must satisfactorily complete a one year 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. In 2018/19 166 trainee places were provided in line with the demand.

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.

DENTAL TRAINING GRADES	Target	Actual	% Achieved
RECRUITMENT TO DENTAL CORE AND SPECIALTY TRAINING	139	125	90%
PRE-REGISTRATION TRAINING FOR DENTAL NURSES	160	98	61%
DENTAL HYGIENE/THERAPY STUDENTS	45	41	91%

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

CLINICAL PSYCHOLOGY	Target	Actual	% Achieved
CLINICAL PSYCHOLOGIST TRAINEES' COMPLETION	55	53	96%
PSYCHOLOGICAL THERAPIES IN PRIMARY CARE	30	29	97%
APPLIED PSYCHOLOGY FOR CHILDREN AND YOUNG PEOPLE	19	18	95%
NEUROPSYCHOLOGY PROGRAMME	35	35	100%

Clinical Scientists are postgraduate scientists across a range of disciplines in diagnostic laboratories, medical physics and clinical physiology.

HEALTHCARE SCIENTISTS	Target	Actual	% Achieved
PRE-REGISTRATION CLINICAL SCIENTISTS	17	17	100%
POSTGRADUATE SCIENTISTS IN SERVICE	30	31	103%

In Scotland there is currently a 4-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.

PHARMACY	Target	Actual	% Achieved
PRE-REGISTRATION PHARMACY	200	200	100%

## ii) 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 23,000 hours of verifiable Continuing Professional Development (CPD) for the dental team;
- We trained a further 103 pharmacists in advanced practice to support General Practice;
- We provided 279 sessions of in-practice quality improvement training for dental teams;
- We trained 120 new health visitors;
- We supported 106 pharmacists on independent prescribing courses;
- We delivered on the commitment to an additional 500 Advanced Nursing Practitioners with 650 enrolled on the postgraduate diploma;
- We delivered training in Psychological Therapies and Interventions to 953 multidisciplinary staff in children's services and over 1260 multidisciplinary staff in adult services;
- We launched the Opening Doors: Trauma Informed Practice for the Workforce animation in June 2018 and since then the animation has been viewed over 16,000 times;
- We continued to monitor the utilisation of £7m of Scottish Government funding awarded to Scottish Health Boards to increase access to Child and Adolescent Mental Health Services (CAMHS) and Psychological Therapy Services;
- We delivered a standardised Psychology of Parenting Programme (PoPP) scheme start-up training to 39 PoPP multi-sector Early Years' practitioners and provided authorised Incredible Years Pre-school Basic or Level 4 Group Triple P training for 82 practitioners. An additional 373 practitioners across the wider children and families workforce received training in Connecting with Parents' Motivations in 2018/19; and
- In a UK first, a Scottish trainee has become the first Health and Care Professional Council (HCPC) approved Podiatrist to successfully complete doctoral level education in Podiatric Surgery.

Some of these achievements, such as additional pharmacists trained in advanced practice, will also provide staff with additional skills to support service redesign.

## iii) Providing National Infrastructure

The infrastructure provided by NES has 3 different elements; physical, people and digital. Some of the key activities which supported the delivery of targets in this area for 2018/19 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 post graduate practitioners; and
- We supported two specialist clinical skills centres and commissioned and took ownership of a new Mobile Skills Unit, which enabled 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 2018/19 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 130.5 TPD sessions, equivalent to 13.05 WTE posts; and
- Our 38 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 further developed Turas People in 2018/19 to support the lead employer model for doctors in training by joining up the training and employment journey. The application enables engagement and change information to be completed and shared electronically. Employment related information, including contractual documentation, can be issued, accepted and stored in one place. These developments in Turas People have reduced the employment related administration for the doctors in training and also for users across NHSScotland Boards in medical staffing/ human resources, payroll and occupational health;
- Turas Appraisal, which replaced eKSF, across NHSScotland, as the national electronic application for recording summaries of annual Personal Development Planning and Review (P DPR) discussions was launched in April 2018 and has been used by over 102,000 Agenda for Change and Executive Cohort staff to support their personal development planning and review process;
- Turas Learn, the NES platform for learning and support resources, provides NHSScotland health and social care staff with access to learning and practice support resources. All NES, NHS Grampian, NHS24 and NHS Shetland learning modules are now available on Turas Learn along with course booking functionality, with an agreement drawn up to facilitate the sharing of modules across learning management systems. Turas Learn now has 116,000 registered learners with the system being accessed around 10,000 times per week;
- We created the Turas Data Intelligence platform that allows for the ingestion, categorisation, transformation, analysis and reporting of data across the public sector in Scotland. This has enabled the programme of work to join up workforce supply side data and provide analysis to inform workforce planning;

- We have started to leverage the capabilities of Office 365 to create services which add value to our staff, such as building our NES annual leave process on Office 365, allowing staff to easily request leave and managers to approve leave while making reporting easy;
- 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 over 1.3m journal articles downloaded, 1.2m database searches conducted and 1.5m views of eBooks; and
- 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.

All of the work described has been achieved within the financial limits set by the Scottish Government, which 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 Chief Executive, I am content with the performance of the organisation during 2018/19.



**Chief Executive**

# Accountability Report

## 1. Corporate Governance Report

### a) Directors' Report

#### **Date of Issue**

Audited financial statements were approved and authorised for issue by the Board on 27 June 2019.

#### **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 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 achievement of the organisation's objectives.

**Non Executive Board Members**

NAME	POSITION	DATE OF APPOINTMENT
MR D GARBUTT	Chair	Apr-18
MS C WILKINSON	Vice Chair (Retired May-18)	Jun-10
MS E FORD	Employee Director	Apr-08
MS S DOUGLAS-SCOTT	Member (Resigned May-18)	Jun-10
MR D HUTCHENS	Member	Mar-15
DR D STEELE	Member and Vice Chair from Oct-18	May-13
MS S STEWART	Member (Resigned Jun-18)	Mar-15
DR A TANNAHILL	Member	May-13
MRS L DUNION	Member	Jun-18
MS A WALKER	Member	Jun-18
MS A CURRIE	Member	Sep-18

**Executive Board Members**

NAME	POSITION	DATE OF APPOINTMENT
MS C LAMB	Chief Executive	Oct-15
PROF S IRVINE	Deputy Chief Executive and Director of Medicine	Apr-12
MRS A MCCOLL	Director of Finance	Feb-16
MRS K WILSON	Director of Nursing, Midwifery & Allied Health Professions.	Jan-18

## b) 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 2019 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 2018/19 can be accessed at [www.nes.scot.nhs.uk](http://www.nes.scot.nhs.uk) from 31 October 2019.

### **Personal Data Related Incidents**

On 31st July 2018, NES was made aware that a Customer List, which included customer name and contact address details, was inadvertently made available on the NES intranet. This included 393 individuals whose personal home address details had potentially been disclosed. The document was immediately removed from the intranet/internet. The incident was reported to the Information Commissioner's Office (ICO) and letters were sent to all impacted individuals. NES was notified on the 21st March 2019 by the ICO, that on consideration of the information provided, no further action by the ICO was necessary.

### **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.

## **c) 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 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 9<sup>th</sup> August 2016.

## d) Governance Statement

### Scope of Responsibility

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

### Purpose of Internal Control

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



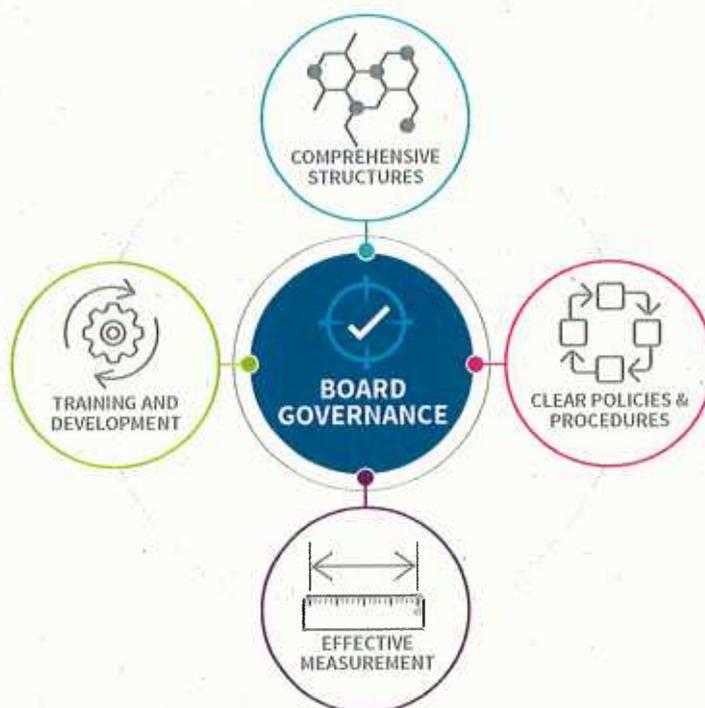
The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation’s aims and objectives. As such, it can only provide reasonable and not absolute assurance.

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

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

### Operation of the Board

NHS Education for Scotland has in place a comprehensive corporate governance framework, 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 2014-2019; supplemented by detailed annual local delivery plans all of which are made available to our stakeholders;
- As we transition into a new strategic planning period, a clearly articulated Strategic Plan which sets and communicates the Board's vision and intended outcomes covering the period 2019-2024;
- 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 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, 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; and
- The creation of an additional sub-committee of the Board (Digital) to provide appropriate governance arrangements for the NES Digital Activities. This has included the co-opting of committee members with significant expertise in Digital development and implementation at scale.

### **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 policies and procedures which are regularly reviewed and updated;
- A Risk Management Strategy and supporting procedures which define how decisions are taken and how associated risks are managed. These are regularly reviewed and updated;
- Clear whistle-blowing 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;
- 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 focused 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.

During the year, the Board assessed its own performance as follows;

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 reviewed in a facilitated Board workshop session. Whilst the results overall were very positive, there were some improvements identified which would further enhance the Corporate Governance framework. These improvements have been incorporated into an agreed action plan owned by the Board.

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. In addition, the framework has been assessed against the 'Blueprint for Good Governance' and the revised 'Audit and Assurance Committee Handbook April 2018'.

## 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 uninvestigated 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 in 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 Board in considering the corporate risk register at each of its meetings;
- The work of the Board in the development of an Assurance Framework, the subsequent gap analysis and creation of an action plan for further improvements in Corporate Governance;
- The consideration by the 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 provides 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 to the organisation's Audit Committee regular reports 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 Chief Executive of NES I am content with the Governance arrangements of the organisation during 2018/19.

## 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 in 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 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;

A regular programme of **development and training** for identified risk champions in each department;

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.

More generally, the organisation is committed to continuous development and improvement through developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March 2019, and up to the signing of the accounts, the 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 2019, 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. There have been no instances of fraud during 2018/19. A number of recommendations have arisen from our internal audit reports, which we have accepted, and which will be implemented and followed up.

## Governance Framework

The Board meets regularly during the year to progress the business of the National Health Board. There have been 8 meetings and 4 workshops during 2018/19. Attendance by members at these meetings is detailed below.

NAME	BOARD MEETINGS ATTENDED	WORKSHOPS ATTENDED
MR D GARBUTT	8/8	3/4
MS C WILKINSON *	1/2	0/0
MS E FORD	6/8	3/4
MS S DOUGLAS-SCOTT *	2/2	0/0
MR D HUTCHENS	7/8	2/4
DR D STEELE	8/8	4/4
MS S STEWART *	3/3	1/1
DR A TANNAHILL	5/8	3/4
MRS L DUNION	6/6	3/4
MS A WALKER	6/6	4/4
MS A CURRIE	4/4	2/2
MS C LAMB	8/8	4/4
PROF S IRVINE	7/8	4/4
MRS A MCCOLL	8/8	4/4
MRS K WILSON	8/8	4/4

\*These members retired from the Board in 2018/19

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.

The membership and attendance of the Audit Committee during 2018/19 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
MS C WILKINSON	Non-Executive Board Member (Chair until May 2018)	0/1
MS S DOUGLAS-SCOTT	Non-Executive Board Member	1/1
DR D STEELE	Non-Executive Board Member (Chair from Jun 2018)	4/4
MS S STEWART	Non-Executive Board Member	1/2
MS A WALKER	Non-Executive Board Member	3/3
MRS L DUNION	Non-Executive Board Member	3/3
MS A CURRIE	Non-Executive Board Member	2/2

### 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.

The membership and attendance of the staff governance committee during 2018/19 was as follows:

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

### 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.

The membership and attendance of the Educational and Research Governance Committee during 2018/19 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
DR A TANNAHILL	Non-Executive Board Member (Chair until Feb 18)	1/1
MR D HUTCHENS	Non-Executive Board Member (Chair from May 18)	4/4
DR D STEELE	Non-Executive Board Member	4/4
MS C WILKINSON	Non-Executive Board Member	1/1
MS A WALKER	Non-Executive Board Member	3/3

### 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.

The membership and attendance of the Finance and Performance Management Committee during 2018/19 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

### Digital Committee

The Digital Committee meets 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 NES Digital Service (NDS) and NES Digital.

The membership and attendance of the Digital Committee during 2018/19 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
PROFESSOR A MORRIS	University of Edinburgh (Chair) <sup>1</sup>	3/3
MR D GARBUTT	Chair of NES Board	3/3
MR D HUTCHENS	Non-Executive Board Member, NES	3/3
MR A McCANN	Non-Executive Board Member, NHS Lothian <sup>1</sup>	3/3
MR G MULGAN	Chief Executive, NESTA <sup>1</sup>	1/3

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.

## 2. Remuneration and Staff Report

### 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.

#### **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 2018 to 31 March 2019 :

- To agree all terms and conditions of employment for the Chief Executive and direct reports to the Chief Executive, including job description, job evaluation, terms of employment, basic pay, performance pay and bonuses and benefits;
- 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 review submissions from the Chief Executive for the terms of any Settlement Agreement which is out with the provisions of our Organisational Change and Redeployment Policy or is out with the severance terms set out in NHSScotland terms and conditions of employment;
- To review and endorse the award of severance arrangements under the terms of the NES Redeployment Procedures and out with any organisation wide Voluntary Severance and Early Retirement Scheme;

- 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; and
- 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.

The remit of the Committee is reviewed annually.

The membership and attendance of the Remuneration Committee during 2018/19 was as follows:

MEMBER	POSITION	MEETINGS ATTENDED
DR D STEELE	Non-Executive Board Member (Chair)	3/3
MR D GARBUTT	Chair of NES Board	3/3
MR D HUTCHENS	Non-Executive Board Member	2/3
MS S STEWART	Non-Executive Board Member	1/1
MRS L DUNION	Non-Executive Board Member	1/1
MS E FORD	Employee Director & Non-Executive Board Member	2/3

### 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 2018/19.

## **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 2019 – Current Year (Audited Information)**

In accordance with the FRM 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 2018/19.

<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 S 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 A Currie <sup>2</sup>	0-5	0	0	<b>0-5</b>	n/a	<b>0-5</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 £5-£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– Current 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. 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 £5-£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 2018 – Prior Year (Audited Information)**

<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	120-125	0	0	120-125	39	160-165
Director of Medicine Prof S Irvine	190-195	0	0	190-195	5	195-200
Director of Finance Ms A McColl	95-100	0	0	95-100	28	125-130
Director of Nursing, Midwifery and Allied Health Professions Dr C Ferguson <sup>1</sup>	75-80	0	0	75-80	0	75-80
Director of Nursing, Midwifery & Allied Health Professions Ms K Wilson <sup>2</sup>	25-30	0	0	25-30	9	35-40
<b>NON EXECUTIVE MEMBERS</b>						
Dr L Burley CBE (Chair) <sup>3</sup>	25-30	0	0	25-30	n/a	25-30
Ms C Wilkinson	5-10	0	0	5-10	n/a	5-10
Ms S Douglas-Scott	5-10	0	0	5-10	n/a	5-10
Dr D Steele	5-10	0	0	5-10	n/a	5-10
Dr A Tannahill	5-10	0	0	5-10	n/a	5-10
Mr D Hutchens	5-10	0	0	5-10	n/a	5-10
Ms S Stewart	5-10	0	0	5-10	n/a	5-10
Ms E Ford, Employee Director <sup>4</sup>	50-55	0	0	50-55	10	60-65
<b>TOTAL</b>					<b>91</b>	

**Notes:**

1. Dr Ferguson left NES on 31 December 2017. The salary disclosed above was for the period to her leaving date. The annual equivalent salary is in the range £100k-£105k
2. Ms K Wilson joined NES on 1 January 2018. The salary disclosed above was for the period from her joining date. The annual equivalent salary is in the range £100k-£105k
3. Dr Burley's term in office ended on 31 March 2018. Mr David Garbutt was appointed Chair from 1 April 2018.
4. Ms E Ford's salary and associated Pension benefits have been disclosed above. The Employee Director's salary includes £40k-£50k in respect of the non-board duties.

**Remuneration Table (continued)****For the Year Ended 31 March 2018 – Prior Year (Audited Information) (continued)**

<b>Pension Benefits (£'000)</b>					
	<b>Total accrued pension and related lump sum at pensionable age at 31 March 2018 (bands of £5,000)</b>	<b>Real increase in pension and related lump sum at pensionable age at 31 March 2018 (bands of £2,500)</b>	<b>Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000</b>	<b>Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000</b>	<b>Real increase in CETV in the year £'000</b>
<b>EXECUTIVE MEMBERS</b>					
Chief Executive Ms C Lamb	50-55 No lump sum	2.5-5 No lump sum	693	751	58
Director of Medicine Prof S Irvine	35-40 and 110-115 lump sum	2.5-5 and 5 - 7.5 lump sum	842	897	55
Director of Finance Mrs A McColl	30-35 No lump sum	0 - 2.5 No lump sum	406	442	37
Director of Nursing, Midwifery and Allied Health Professions Dr C Ferguson <sup>1</sup>	45-50 and 140-145 lump sum	0- 2.5 and 0 - 2.5 lump sum	1083	1092	7
Director of Nursing, Midwifery and Allied Health Professions Mrs K Wilson <sup>2</sup>	0-5 No lump sum	0- 2.5 No lump sum	48	59	11
<b>NON EXECUTIVE MEMBERS</b>					
Dr L Burley, CBE (Chair)	n/a	n/a	n/a	n/a	n/a
Ms S Douglas-Scott	n/a	n/a	n/a	n/a	n/a
Mr D Hutchens	n/a	n/a	n/a	n/a	n/a
Dr D Steele	n/a	n/a	n/a	n/a	n/a
Ms S Stewart	n/a	n/a	n/a	n/a	n/a
Dr A Tannahill	n/a	n/a	n/a	n/a	n/a
Ms C Wilkinson	n/a	n/a	n/a	n/a	n/a
Ms E Ford (Employee Director) <sup>3</sup>	5-10 and 15-20 lump sum	0-2.5 and 0-2.5 lump sum	128	139	8
<b>TOTAL</b>					<b>176</b>

## Notes:

1. Dr Ferguson left NES on 31 December 2017. The pension details disclosed above relate to her period of service with NES.
2. K Wilson joined NES on 1 January 2018. The pension details disclosed above relate to her period of service with NES.
3. Ms E Ford's pension benefits disclosed above are in relation to 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)**

2018/19		2017/18	
<b>RANGE OF STAFF REMUNERATION</b>	£17,437-£192,412	<b>RANGE OF STAFF REMUNERATION</b>	£16,532-£190,812
<b>HIGHEST EARNING DIRECTOR'S TOTAL REMUNERATION</b>	£190,000-£195,000	<b>HIGHEST EARNING DIRECTOR'S TOTAL REMUNERATION</b>	£190,000-£195,000
<b>MEDIAN TOTAL REMUNERATION</b>	£51,187	<b>MEDIAN TOTAL REMUNERATION</b>	£51,848
<b>RATIO (BASED ON MIDPOINT OF DIRECTOR PAY-BAND)</b>	3.76	<b>RATIO (BASED ON MIDPOINT OF DIRECTOR PAY-BAND)</b>	3.71

**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.

## Staff Report

### a) Higher Paid Employees Remuneration

2018 NUMBER		2019 NUMBER	
Other employees (ie excluding Executive Board Members) whose remuneration fell within the following ranges:			
Clinicians			
1	£ 70,001 to £ 80,000	8	
0	£ 80,001 to £ 90,000	1	
0	£ 90,001 to £100,000	1	
Other			
18	£ 70,001 to £ 80,000	19	
2	£ 80,001 to £ 90,000	4	
2	£ 90,001 to £100,000	3	
4	£100,001 to £110,000	4	
0	£110,001 to £120,000	1	
2	£120,001 to £130,000	2	
1	£130,001 to £140,000	0	
2	£140,001 to £150,000	2	
2	£150,001 to £160,000	2	
1	£160,001 to £170,000	0	
0	£170,001 to £180,000	0	
2	£180,001 to £190,000	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.

### b) Staff Expenditure

2018								2019
		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>								
48,303	Salaries and wages	527	126	71,495	0	0	(20,991)	51,157
5,262	Social security expenditure	68	9	7,958	0	0	(2,413)	5,622
5,899	NHS scheme employers' expenditure	78	6	8,175	0	0	(2,063)	6,196
5,339	Inward secondees	0	0	0	6,462	0	0	6,462
1,893	Agency staff	0	0	0	0	2,398	0	2,398
<b>66,696</b>		<b>673</b>	<b>141</b>	<b>87,628</b>	<b>6,462</b>	<b>2,398</b>	<b>(25,467)</b>	<b>71,835</b>
189	Compensation for loss of office or early retirement <sup>1</sup>	0	0	676	0	0	0	676
<b>66,885</b>	<b>TOTAL STAFF EXPENDITURE</b>	<b>673</b>	<b>141</b>	<b>88,304</b>	<b>6,462</b>	<b>2,398</b>	<b>(25,467)</b>	<b>72,511</b>
1,640	The above includes expenditure for staff engaged directly on capital	0	0	811	28	1,608	0	2,447

1. In prior years the compensation for loss of office calculation was based on an employee's continuous service record within NES. Subject to a challenge in 2018/19 on this methodology, the calculation is now based on employee's continuous service record across the whole of NHSScotland.

c) **Staff Numbers**

2018								2019
Average Mean		Executive Board Members	Non Executive Members	Permanent Staff	Inward Second-ees	Other Staff	Outward Second-ees	Average Mean
1,124.4	Whole Time Equivalent (wte)	4	7.8	1,437.7	64.7	26.7	(372.9)	1,168.0
27.5	The above includes wte of staff engaged directly on capital projects of:	0	0	21	1	16	0	38.0
23.1	Included in the total staff numbers above were disabled staff * of:	0	0	27.5	0	0	0	27.5
0	Included in the total staff numbers above were Special Advisers of:							0

\* Refers to staff who consider themselves to be disabled

d) **Staff Composition**

	2018/19			2017/18		
	Male	Female	Total	Male	Female	Total
Executive Directors	1	3	4	1	3	4
Non-Executive Directors and Employee Director	3	5	8	2	6	8
Other	510	1335	1845	382	1034	1416
<b>Total Headcount</b>	<b>514</b>	<b>1343</b>	<b>1857</b>	<b>385</b>	<b>1043</b>	<b>1428</b>

e) **Sickness Absence Data**

The Board has a proactive policy on the management of sickness absence and the absence rate for 2018/19 was 2.09% (2017/18: 2.56%).

f) **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 is 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.

**g) Exit Packages**

	Number of departures agreed 2018/19	Number of departures agreed 2017/18
< £10,000	1	3
£10,000 - £25,000	1	0
£25,000 - £50,000	1	1
£50,000 - £100,000	1	0
<b>Total</b>	<b>4</b>	<b>4</b>
<b>Total Resource Costs (£000)</b>	<b>138</b>	<b>53</b>

**h) 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 2018/19	WTE employee number	% of time spent on facility time	No of Employees
9	8.5	0%	0
		1-50%	9
		51-99%	0
		100%	0

Percentage of pay bill spent on facility time	
Total cost of facility time	£10,577
Total Pay Bill	£97,302,224
% of total pay bill spent on facility time	0.011%

Time spent on trade union activities	
Number of hours	485
% of hours of facility time spent on trade union activities	100%

### 3. Parliamentary Accountability Report

#### Losses and Special Payments

In the year to 31 March 2019, there were no balances in excess of £250,000 that were written off.

#### Fees and Charges

In the year to 31 March 2019 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.



Chief Executive as Accountable Officer

27 June 2019

# 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 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Summary of Resource Outturn, the Statement of Financial Position, 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 board's affairs as at 31 March 2019 and of its 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 2018/19 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 three years. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have 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 board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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, (for and on behalf of Grant Thornton UK LLP)

110 Queen Street

Glasgow

G1 3BX

28 JUNE 2019

# 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.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

2018		2019
£'000	Note	£'000
	<b>Employee Expenditure</b>	
68,181	Staff Expenditure 3	95,531
<b>68,181</b>		<b>95,531</b>
	<b>Operating Expenditure (non-employee)</b>	
336,111	Direct Educational Expenditure <sup>1</sup> 4	352,371
43,028	Expenditure for Other Educational Support <sup>1</sup> 5	44,543
6,486	NES Infrastructure Expenditure 6	6,865
<b>453,806</b>	<b>Gross Expenditure for the year</b>	<b>499,310</b>
(8,863)	Less: Operating Income <sup>2</sup> 7	(33,925)
<b>444,943</b>	<b>Net Expenditure for the year</b>	<b>465,385</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. Income from NHSScotland bodies includes recharges of £23,982k for the Lead Employer Programme for which NES was an Early Adopter in August 2017 and the Programme was expanded in August 2018.

# Summary of Resource Outturn

for the year ended 31 March 2019

Summary of Core Revenue Resource			
	Note	£'000	
Net expenditure	SOCNE	465,385	
Total non core expenditure (see below)		(1,031)	
Total core expenditure		464,354	
Core revenue resource limit		464,723	
<b>Saving against core revenue resource limit</b>		<b>369</b>	
Summary of Non Core Revenue Resource			
		£'000	
Depreciation / Amortisation	6	1,178	
Annually Managed Expenditure	6	(147)	
Total non core expenditure (see below)		1,031	
Non core revenue resource limit		1,067	
<b>Saving against non core revenue resource limit</b>		<b>36</b>	
Summary of Resource Outturn			
	Resource	Expenditure	Saving
	£'000	£'000	£'000
Core	464,723	464,354	369
Non core	1,067	1,031	36
<b>Total</b>	<b>465,790</b>	<b>465,385</b>	<b>405</b>

# Statement of Financial Position

as at 31st March 2019

2018		2019	
£'000	Note	£'000	£'000
<b>Non-current assets</b>			
5,466	9a	7,517	
3,635	9b	3,163	
<b>9,101</b>			<b>10,680</b>
<b>Current assets</b>			
Financial assets:			
5,266	10	3,365	
271	11	195	
<b>5,537</b>			<b>3,560</b>
<b>14,638</b>			<b>14,240</b>
<b>Current liabilities</b>			
(22)	13a	(187)	
Financial liabilities:			
(17,187)	12	(19,044)	
<b>(17,209)</b>			<b>(19,231)</b>
<b>(2,571)</b>			<b>(4,991)</b>
<b>Non-current liabilities</b>			
(4,278)	13a	(4,028)	
Financial liabilities:			
(1,547)	12	(1,422)	
<b>(5,825)</b>			<b>(5,450)</b>
<b>(8,396)</b>			<b>(10,441)</b>
<b>Taxpayers' equity</b>			
(8,399)		(10,444)	
3		3	
<b>(8,396)</b>			<b>(10,441)</b>

Approved by the Board on 27 June 2019

*Audrey McColl*  
Director of Finance

*Cummins*  
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 2019

2018			2019
£'000		Note	£'000
	<b>Cash flows from operating activities</b>		
(444,943)	Net expenditure	SOCNE	(465,385)
1,212	Adjustments for non-cash transactions	6	1,238
(1,585)	(Increase)/Decrease in trade and other receivables	2,10	1,901
(808)	Increase/(Decrease) in trade and other payables	2,12	2,074
(717)	Decrease in provisions	2,13	(85)
<b>(446,841)</b>	<b>Net cash outflow from operating activities</b>		<b>(460,257)</b>
	<b>Cash flows from investing activities</b>		
(439)	Purchase of property, plant and equipment	2,9b	(619)
(1,640)	Purchase of intangible assets	2,9a	(2,464)
<b>(2,079)</b>	<b>Net cash outflow from investing activities</b>		<b>(3,083)</b>
	<b>Cash flows from financing activities</b>		
448,920	Funding		463,340
(361)	Movement in general fund working capital		(76)
<b>448,559</b>	<b>Net Financing</b>		<b>463,264</b>
(361)	<b>Net decrease in cash and cash equivalents in the period</b>	11	(76)
632	<b>Cash and cash equivalents at the beginning of the period</b>	11	271
<b>271</b>	<b>Cash and cash equivalents at the end of the period</b>	11	<b>195</b>
	<b>Reconciliation of net cash flow to movement in net cash</b>		
(361)	Decrease in cash in year		(76)
632	Net cash at 1 April 2018	11	271
<b>271</b>	<b>Net cash at 31 March 2019</b>	11	<b>195</b>

# Statement of Changes in Taxpayers' Equity

## for the year ended 31 March 2019

<b>Current Year:</b>	<b>General Fund</b>	<b>Revaluation Reserve</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>(8,399)</b>	<b>3</b>	<b>(8,396)</b>
<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>	<b>(465,385)</b>	<b>0</b>	<b>(465,385)</b>
<b>Funding</b>			
Drawn down	463,264	0	463,264
Movement in General Fund Creditor	76	0	76
<b>Total funding</b>	<b>463,340</b>	<b>0</b>	<b>463,340</b>
<b>Balance at 31 March 2019</b>	<b>(10,444)</b>	<b>3</b>	<b>(10,441)</b>

<b>Prior Year:</b>	<b>General Fund</b>	<b>Revaluation Reserve</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2017</b>	<b>(12,376)</b>	<b>3</b>	<b>(12,373)</b>
<b>Changes in taxpayers' equity for 2017/18</b>			
Net expenditure for the year	(444,943)	0	(444,943)
<b>Total recognised income and expense for 2017/18</b>	<b>(444,943)</b>	<b>0</b>	<b>(444,943)</b>
<b>Funding:</b>			
<b>Drawn down</b>	<b>448,559</b>	<b>0</b>	<b>448,559</b>
Movement in General Fund Creditor	361	0	361
<b>Total funding</b>	<b>448,920</b>	<b>0</b>	<b>448,920</b>
<b>Balance at 31 March 2018</b>	<b>(8,399)</b>	<b>3</b>	<b>(8,396)</b>

# 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 2018/19**

The following accounting standards have been applied for the first time in 2018/19:

- IFRS 9 Financial Instruments  
The standard replaces IAS 39 and introduces a single approach to classification and measurement of the financial instruments; a new forward-looking expected loss impairment model; and a revised approach to hedge accounting.
- IFRS 15 Revenue from Contracts with Customers  
The standard introduces greater disclosure requirements, as well as a new five stage model for assessing and recognising revenue from contracts with new customers.

Both standards have been applied retrospectively and without restatement of prior year figures.

There were no Accounting standards, amendments or interpretations early adopted in 2018/19. There are no new standards, amendments or interpretations issued but not adopted this year.

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016, which is applicable for the accounting periods beginning on or after 1 January 2019. This means that the standard will be effective for the first time in the year ending 31 March 2020. The standard

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

requires leases to be recognised in the Statement of Financial Position as “right of use” assets with a corresponding liability for future lease payments. As at the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector and has not been included in the FReM. As such, it is not yet feasible to quantify the impact of the standard accurately.

**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.

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 Statement of Comprehensive Net Expenditure 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.

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

### **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.

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.

## Note 1. Accounting Policies (continued)

### 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.

### 5.3 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.

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:

Asset Category / Component	Useful Life
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.

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

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 eg the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- Adequate financial, technical and other resources are available to the Board to complete the development and sell or use the asset; and
- The Board can measure reliably the expenses attributable to the asset during development.

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

**Software**

Software which is integral to the operation of hardware, eg 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.

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

### **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 (ie 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.

Amortisation is charged on a straight-line basis.

## Note 1. Accounting Policies (continued)

The following asset lives have been used:

Asset Category/ Component	Useful Life
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).

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

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.

**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.

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

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.

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.

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

## Note 1. Accounting Policies (continued)

### 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.

### 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.

## Note 1. Accounting Policies (continued)

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.

### 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.

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

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 and 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 £383k (2018: £585k). 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 £175k (2018: £125k) for GP Trainees calculated as 8.9 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 £1,077k (2018: £559k) has been included in respect of payments relating to staff on fixed term contracts.

**Note 2. Notes to the Cashflow Statement**

2018		2019	
<b>2a. Adjustments for non cash transactions</b>			
<b>£'000</b>			<b>£'000</b>
857	Depreciation		825
355	Amortisation		353
0	Impairments on Intangible assets charged to SoCNE		60
<b>1,212</b>	<b>Total expenditure not paid in cash</b>		<b>1,238</b>
<b>2b. Movements in working capital</b>			
		<b>Note</b>	<b>Opening Balances £'000</b>
			<b>Closing Balances £'000</b>
	<b>TRADE AND OTHER RECEIVABLES</b>		
(1,585)	Due within one year	10	5,266
<b>(1,585)</b>	<b>Net (increase)/decrease</b>		<b>1,901</b>
	<b>TRADE AND OTHER PAYABLES</b>		
(941)	Due within one year	12	17,187
(304)	Due after more than one year	12	1,547
76	Less: property, plant & equipment included in above		(257)
361	Less: General Fund creditor included in above	11	(271)
	<b>Total</b>		<b>18,206</b>
<b>(808)</b>	<b>Net increase /(decrease)</b>		<b>2,074</b>
	<b>PROVISIONS</b>		
(717)	Statement of Financial Position	13a	4,300
	<b>Total</b>		<b>4,300</b>
<b>(717)</b>	<b>Net decrease</b>		<b>(85)</b>
<b>(3,110)</b>	<b>Net movement</b>	<b>CFS</b>	<b>3,890</b>

**Note 3. Staff Expenditure**

2018		2019
restated		
£'000		£'000
1,121	Medical Training Fellowships	894
2,340	Medical Training Programme Directors	2,424
30,598	Medical GP Trainees (employed by NES) <sup>1</sup>	55,365
2,583	Medical Professional Development	3,031
1,268	Medical Quality Management	977
4,821	Medical Strategic Planning & Directorate Support	5,194
2,068	Medical Training Programme Management	2,048
123	Healthcare Science	131
5,373	Dental	5,461
2,253	Psychology	2,407
64	Pharmacy	270
4,641	Nursing, Midwifery and Allied Health Professionals	4,469
372	Knowledge Services	397
1,535	Leadership & Admin Workforce Development	2,204
279	Optometry	222
3,636	Internal Governance, Planning, Commissioning & Systems	3,711
366	Property & Facilities Management Expenditure	376
1,858	Workforce Support	1,507
1,576	Digital Services	1,991
0	NES Digital Service (NDS)	419
1,306	Corporate Expenditure	2,033
<b>68,181</b>	<b>Total Staff Expenditure</b>	<b>95,531</b>
<b>Reconciliation of Staff Expenditure to Staff Report</b>		
66,885	Total Pay per Staff Report b) on page 49	72,511
(1,640)	Less capitalised salaries in Staff Report, not in Note 3	(2,447)
2,936	Add back Outward Secondees as they are in Note 7	25,467
<b>68,181</b>	<b>Total Staff Expenditure</b>	<b>95,531</b>

1. Medical GP Trainees include £23,982k for the Lead Employer Programme for which NES was an Early Adopter in August 2017 and the Programme was expanded in August 2018. These costs are offset by the income received from Placement Boards reflected in Note 7.

The prior year comparative figures have some reallocations between lines compared to the 2017/18 financial statements however the note total remains the same.

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

2018		2019	2019
£'000		£'000	£'000
	<b>Undergraduate expenditure</b>		
77,948	Medical ACT <sup>1</sup>		81,045
15,741	Dental ACT		15,723
0	Pharmacy ACT		2,342
<b>93,689</b>	<b>Total undergraduate expenditure</b>		<b>99,110</b>
	<b>Postgraduate expenditure</b>		
24,519	Medical Foundation 1 Trainees	25,687	
29,068	Medical Foundation 2 Trainees	30,627	
152,576	Medical Core/Specialty Trainees	158,504	
1,066	Medical Training Fellowships	990	
6,301	Medical GP Trainee Support Expenditure <sup>2</sup>	7,384	
<b>213,530</b>	<b>Total Medical Training Grades</b>		<b>223,192</b>
4,577	Dental training grades		4,974
9,838	Dental GP Trainees		9,472
<b>14,415</b>	<b>Total Dental Training Grades</b>		<b>14,446</b>
7,852	Clinical Psychology		8,177
4,734	Pre-reg Pharmacy Trainees		5,456
1,891	Healthcare Science		1,990
<b>242,422</b>	<b>Total Postgraduate Expenditure</b>		<b>253,261</b>
<b>336,111</b>	<b>Total Direct Educational Non Pay Expenditure</b>		<b>352,371</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 £1,720k (2018: £1,200k) 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**

2018		2019
restated		
£'000		£'000
3,783	Medical Professional Development	4,441
1,051	Medical Quality Management	1,102
408	Medical Strategic Planning & Directorate Support	518
2,926	Medical Training Programme Management <sup>1</sup>	2,978
372	Healthcare Science	376
10,071	Dental	9,862
7,244	Psychology	8,330
2,337	Pharmacy	2,282
6,895	Nursing, Midwifery and Allied Health Professionals	7,514
5,371	Knowledge Services <sup>2</sup>	3,346
637	Optometry	771
1,218	NHS Workforce Support	1,228
715	Digital Systems Development & Support <sup>1 3</sup>	1,587
0	NES Digital Services (NDS)	208
<b>43,028</b>	<b>Total Other Educational Support Non Pay Expenditure</b>	<b>44,543</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.

## Notes:

1. A reallocation of costs has been applied to the prior year comparative figures between Medical Training Programme Management and Digital Systems Development and Support, however the note total remains the same as reported in the financial statements as at 31 March 2018.
2. Knowledge Services in 2017/18 includes £1,628k of VAT payable on e-subscriptions relating to earlier years.
3. Digital Systems and support includes £792k of Transformation Funding

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

2018		2019
£'000		£'000
375	Internal Governance, Planning, Commissioning & Systems	303
4,033	Property & Facilities Management	4,019
161	Workforce Support	144
1,057	Digital Services	1,097
1,212	Depreciation and Amortisation	1,178
289	Corporate	213
(699)	Movement on Provisions - Annually Managed Expenditure	(207)
58	External Auditor's Remuneration - Statutory Audit Fee	58
0	Impairment of Assets - Annually Managed Expenditure	60
<b>6,486</b>	<b>Total NES Infrastructure Non Pay expenditure</b>	<b>6,865</b>

**7. Other Operating Income**

2018		2019
£'000		£'000
2,637	NHS Scotland bodies	25,139
381	NHS Non-Scottish bodies	389
651	SGHSCD	812
727	License fees for E Portfolio system	756
299	GP CPD	321
672	Dental CPD	480
189	Scottish Patient Safety Programme Fellowship Fees	219
2,358	Overseas ACT Levy - Medical	4,265
523	Overseas ACT Levy - Dental	740
426	Other Income	804
<b>8,863</b>	<b>Total Other Operating Income</b>	<b>33,925</b>

Income from NHSScotland bodies includes recharges of £23,982k for the Lead Employer Programme for which NES was an Early Adopter in August 2017 and the Programme was expanded in August 2018.

## 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 2019	363,934	44,246	11,996	22,365	9,384	13,460	465,385
Net operating expenditure 2018	346,312	44,518	11,612	20,612	7,234	14,655	444,943

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. Corporate Resources includes 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 2018	45	7,247	677	0	7,969
Additions	0	2,464	0	0	2,464
Disposals	0	(22)	(265)	0	(287)
<b>At 31st 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 1 April 2018	9	1,817	677	0	2,503
Provided during the year	3	350	0	0	353
Impairment charge	0	60	0	0	60
Disposals	0	(22)	(265)	0	(287)
<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. a) Intangible Fixed Assets – Prior Year**

Prior Year	Software licenses £'000	Software £'000	Websites £'000	Assets under development £'000	Total £'000
<b>Cost or valuation:</b>					
As at 1st April 2017	45	5,999	898	0	6,942
Additions	0	1,640	0	0	1,640
Disposals	0	(392)	(221)	0	(613)
<b>At 31 March 2018</b>	<b>45</b>	<b>7,247</b>	<b>677</b>	<b>0</b>	<b>7,969</b>
<b>Amortisation:</b>					
As at 1st April 2017	6	1,857	898	0	2,761
Provided during the year	3	352	0	0	355
Disposals	0	(392)	(221)	0	(613)
<b>At 31 March 2018</b>	<b>9</b>	<b>1,817</b>	<b>677</b>	<b>0</b>	<b>2,503</b>
<b>Net book value at 31 March 2017</b>	<b>39</b>	<b>4,142</b>	<b>0</b>	<b>0</b>	<b>4,181</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>Asset financing:</b>					
Owned	36	5,430	0	0	5,466
<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>

**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 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 31st March 2019</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 1 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)
Impairment charge	0	0	0	0	0	0
<b>At 31st March 2019</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 2018</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>						
<b>Owned</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 2019</b>	<b>325</b>	<b>63</b>	<b>450</b>	<b>2,297</b>	<b>28</b>	<b>3,163</b>

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

Prior Year	Transport equipment	Plant & machinery	Information technology	Furniture & fittings	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>						
As at 1st April 2017	243	675	2,902	5,293	8	9,121
Additions	0	11	257	5	90	363
Transfers	0	8	0	0	(8)	0
Disposals	0	0	(275)	0	0	(275)
<b>At 31 March 2018</b>	<b>243</b>	<b>694</b>	<b>2,884</b>	<b>5,298</b>	<b>90</b>	<b>9,209</b>
<b>Depreciation:</b>						
As at 1st April 2017	217	507	2,422	1,846	0	4,992
Provided during the year	8	69	203	577	0	857
Disposals	0	0	(275)	0	0	(275)
<b>At 31 March 2018</b>	<b>225</b>	<b>576</b>	<b>2,350</b>	<b>2,423</b>	<b>0</b>	<b>5,574</b>
<b>Net book value at 31 March 2017</b>	<b>26</b>	<b>168</b>	<b>480</b>	<b>3,447</b>	<b>8</b>	<b>4,129</b>
<b>Net book value at 31 March 2018</b>	<b>18</b>	<b>118</b>	<b>534</b>	<b>2,875</b>	<b>90</b>	<b>3,635</b>
<b>Asset financing:</b>						
Owned	18	118	534	2,875	90	3,635
<b>Net book value at 31 March 2018</b>	<b>18</b>	<b>118</b>	<b>534</b>	<b>2,875</b>	<b>90</b>	<b>3,635</b>

**Note 10. Trade and Other Receivables**

2018		2019
£'000		£'000
<b>Receivables due within one year:</b>		
<b>NHSScotland</b>		
74	SGHSCD	54
140	Boards	367
<b>214</b>	<b>Total NHSScotland receivables</b>	<b>421</b>
94	NHS non-Scottish bodies	96
63	VAT recoverable	133
2,615	Prepayments <sup>1</sup>	407
16	Accrued income	654
0	Reimbursement of provisions (CNORIS)	125
2,264	Other receivables	1,529
<b>5,266</b>	<b>Total receivables due within one year</b>	<b>3,365</b>
<b>0</b>	<b>The total receivables figure above includes a provision for impairments of</b>	<b>0</b>
<b>WGA Classification:</b>		
140	NHSScotland	367
137	Central Government bodies	187
94	Balances with NHS bodies in England and Wales	96
4,895	Balances with bodies external to Government	2,715
<b>5,266</b>	<b>Total</b>	<b>3,365</b>

Trade Receivables that are less than 3 months past their due date are not considered impaired. As at 31 March 2019, receivables with a carrying value of £1,602,005 (2018: £146,849) were past their date but not impaired. The ageing of receivables that are past due but not impaired. The ageing of receivables that are past due but not impaired is as follows:

2018		2019
£'000		£'000
96	Up to 3 months past due	1,481
33	3 to 6 months past due	44
17	Over 6 months past due	77
<b>146</b>	<b>Total Trade Receivables past due but not impaired</b>	<b>1,602</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>		
2,367	A	154
<b>Counterparties with no external credit rating</b>		
19	New customers	115
7	Existing customers with no defaults in the past	0
0	Existing customers with some defaults in the past	0
<b>2,393</b>	<b>Total neither past due nor impaired</b>	<b>269</b>

The value of debt write-off in the year was £253 (2018: £486). The carrying amount of receivables are denominated in Great British Pounds.

1. Prepayments in 2017/18 included £2.2m relating to elibrary subscriptions for 2018/19

**Note 11. Cash and Cash Equivalents**

	At 1 April 2018	Cash Flow	At 31 March 2019
<b>Current 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>
	At 1 April 2017	Cash Flow	At 31 March 2018
<b>Prior Year</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Banking Service account balance	625	(371)	254
Cash at bank and in hand	7	10	17
<b>Total cash and cash equivalents</b>	<b>632</b>	<b>(361)</b>	<b>271</b>

**Note 12. Trade and Other Payables**

2018		2019
£'000		£'000
<b>Payables due within one year</b>		
<b>NHSScotland</b>		
4,201	Boards	5,429
<b>4,201</b>	<b>Total NHSScotland payables</b>	<b>5,429</b>
7	NHS Non-Scottish bodies	316
271	Amounts payable to General Fund	195
1,757	Trade payables	515
7,102	Accruals	7,804
478	Deferred income	496
1,950	Income tax and social security <sup>1</sup>	2,541
1,041	Superannuation <sup>1</sup>	1,331
383	Holiday pay accrual	401
(3)	Other payables	16
<b>17,187</b>	<b>Total Trade and Other Payables due within one year</b>	<b>19,044</b>
<b>Payables due after more than one year</b>		
<b>1,547</b>	Other payables	<b>1,422</b>
<b>1,547</b>	<b>Total Trade and Other Payables after more than one year</b>	<b>1,422</b>
<b>18,734</b>	<b>Total Trade and Other Payables</b>	<b>20,466</b>
£'000	<b>WGA Classification</b>	£'000
4,201	NHS Scotland	5,429
3,004	Central Government Bodies	3,872
7	Balances with NHS Bodies in England and Wales	316
11,522	Balances with bodies external to Government	10,849
<b>18,734</b>	<b>Total Trade and Other Payables</b>	<b>20,466</b>

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

1. Income tax, social security and superannuation amounts have increased by £881k due to the increased number of staff on the payroll from the Lead Employer Programme

**Note 13. a) Provisions**

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

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

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

<b>Prior Year</b>	<b>Clinical legal claims</b>	<b>Participation in CNORIS</b>	<b>Dilapidations</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2017	75	77	4,306	559	5,017
Arising during the year	6	12	0	0	18
Utilised during the year	(18)	(7)	0	(559)	(584)
Unwinding of discount	0	0	(93)	0	(93)
Reversed unutilised	(50)	(8)	0	0	(58)
<b>At 31 March 2018</b>	<b>13</b>	<b>74</b>	<b>4,213</b>	<b>0</b>	<b>4,300</b>

<b>Expected timing of discounted cashflows</b>	<b>Clinical legal claims</b>	<b>Participation in CNORIS</b>	<b>Dilapidations</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payable in one year	13	9	0	0	22
Payable between 2 - 5 years	0	0	2,437	0	2,437
Payable between 6 - 10 years	0	0	1,776	0	1,776
Thereafter	0	65	0	0	65
<b>At 31 March 2018</b>	<b>13</b>	<b>74</b>	<b>4,213</b>	<b>0</b>	<b>4,300</b>

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

2018		2019
£'000	Note	£'000
13	Provision recognising individual claims against the Board at 31 March	157
0	Associated CNORIS receivable for individual claims at 31 March	(125)
74	Provision recognising the Board's liability from participating in the scheme at 31 March	74
<b>87</b>	<b>Net total provision relating to CNORIS at 31 March</b>	<b>106</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 £157k relates to claims against NES and the participation in CNORIS £74k 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:

2018		2019
£'000		£'000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
1,672	Not later than one year	1,796
1,672	Later than one year, not later than 2 years	1,796
4,101	Later than two years, not later than five years	4,334
1,056	Later than five years	1,472
<b>8,501</b>	<b>Total Buildings</b>	<b>9,398</b>
<b>Other</b>		
13	Not later than one year	12
3	Later than one year, not later than 2 years	8
0	Later than two years, not later than five years	16
<b>16</b>	<b>Total Other</b>	<b>36</b>
<b>Amounts charged to operating expenditure in the year were:</b>		
40	Hire of equipment (including vehicles)	28
1,672	Other operating leases	1,729
<b>1,712</b>	<b>Total</b>	<b>1,757</b>

The lease for Westport was extended in the year to run until 2026 therefore there is an increase in the long term lease commitments.

## 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

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

last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be based on scheme data as at 31 March 2016 and this will set contribution rates from 1 April 2019.

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 2015 was 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.

At the last valuation, a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employer's contribution rate. NHS Education for Scotland's level of participation in the scheme is 0.81% based on the proportion of employer contributions paid in 2017/18.

**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 2018/19 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 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.

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

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 government.

Date	Employee Contribution	Employer Contribution	Total Contribution
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 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 2019:</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	2,279	2,279
Cash and cash equivalents	195	195
	<b>2,474</b>	<b>2,474</b>
<b>Financial Assets</b>		
<b>At 31 March 2018:</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	2,374	2,374
Cash and cash equivalents	271	271
	<b>2,645</b>	<b>2,645</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>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>
<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>Liabilities per Statement of Financial Position</b>		
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	11,064	11,064
	<b>11,064</b>	<b>11,064</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 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>

	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 2018:</b>				
Trade and other payables excluding statutory liabilities (VAT, income tax, and social security), deferred income and superannuation	9,517	450	1,318	83
<b>Total</b>	<b>9,517</b>	<b>450</b>	<b>1,318</b>	<b>83</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.

**16. Financial Instruments (continued)****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 were no material related party transactions during the year, other than those with other government departments and other central government bodies. NES spent £355.7 million with other NHSScotland Boards and had income of £2.5 million from other NHSScotland Boards.

Executive and Non-Executive Board members had no material interests in contracts or potential contracts with the organisation.

**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
AHP PEL	Allied Health Professional Practice Education Lead	PAO	Principal Accountable Officer
BMA	British Medical Association	PCCP	Person-Centred Care and Participation.
BNF	British National Formulary	P DPR	Personal Development Planning and Review
CAMHS	Child & Adolescent Mental Health Services	PEF	Practice Education Facilitator
CARE	Career Average Re-valued Earnings	PFM	Property and Facilities Management
CETV	Cash Equivalent Transfer Values	PFPI	Patient Focus Public Involvement
CHEF	Nursing & Midwifery Care Home Education Facilitator	PoPP	Psychology of Parenting Programme
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	SRPA	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 Services	VAT	Value Added Tax
NES	NHS Education for Scotland	VT	Vocational Training
NEST	National Employment Savings Trust	WTE	Whole Time Equivalent



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