HIGHLAND HEALTH BOARD

(Known as NHS Highland)

Annual Report and Accounts

For Year Ended 31 MARCH 2024

Introduction

This report contains information that Highland Health Board (Known as NHS Highland) is required to formally report each year. It gives a financial overview of Highland Health Board for the period 1st April 2023 to 31st March 2024. It includes the consolidation of the Endowment Funds and Integration Joint Board (IJB). The report contains:

- The Performance Report
- The Accountability Report
- The Financial Statements

The Annual Accounts including the above reports were adopted and approved by the full meeting of the Highland Health Board on the 28th June 2024.

This report is available to download from our website or alternatively a copy can be obtained by contacting the Communications department.

HIGHLAND HEALTH BOARD

NHS Highland

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HIGHLAND HEALTH BOARD

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED MARCH 2024

A - THE PERFORMANCE REPORT

Overview

This overview summarises the key issues faced by NHS Highland in 2023/24, provides a broad description of the Board and its governance, looks at performance in the year towards the achievement of operational targets and looks ahead to the priorities be addressed in 2024/25.

1.1 Chief Executive Statement

Throughout 2023-24, NHS Highland has continued to deliver on its five-year strategy, Together We Care: With You, For You. This sets our strategic direction, and we have done further work on our Annual Delivery Plan to ensure it is in line with these ambitions. It is important that we are open and transparent about our objectives and how we are delivering on them. We therefore welcomed the return of a public Annual Review - the first since the Covid pandemic – in November 2023. This allowed members of the public to submit questions and attend an open session.

We have worked closely with partners, including Argyll and Bute Integration Joint Board and the Highland Council, to ensure we are joined up in both our engagement with communities and our delivery. In our role as community planning partners we seek to support the work of the Highland and Argyll and Bute Outcomes Improvement Plans, our Integrated Children's Services Plans and our role in Public Protection. In February 2024, following consultation, we launched the Highland Health & Social Care Partnership Strategic Plan. Co-created with the Highland Council, this reflects the duties of the integration authorities lead agency arrangements with the Highland Council and will set the direction for the future of the partnership in the Highland area in the coming years.

NHS Highland Board remains at level 3 of the NHS Scotland Board Escalation Framework in relation to finance and mental health performance. We are continuing to make steady improvements in mental health performance for adult services and have successfully recruited to some posts, though performance in CAMHS remains a challenge.

However, our financial position is the most challenging it has ever been. We started 2023/4 with a deficit of £98.172 million, reflecting increases to costs during the year, including agency and locum spend, prescribing pressures and fuel and power inflation. Financial brokerage has been received from Scottish Government to cover the end of year deficit of £29.5 million.

With a financial settlement for 2024-25 representing flat cash, and with demands and costs continuing to increase, meeting the requirements for a balanced budget will mean significant change is necessary, and NHS Highland is embarking on an ambitious financial recovery strategy.

Some changes will be improvements, modernising services and making them more sustainable. But with brokerage capped there may be a need for emergency actions in the short term and substantial service redesign in the longer term to maintain core services.

We are committed to the overarching principles of Together We Care, aiming to care for people as close to home as possible. New technology can help us to reduce the need for patients and staff to travel, for example. We have also seen advances which make surgery less invasive, reducing stays in hospital and speeding recovery. In June 2023, we pioneered a new technique to locate impalpable breast cancers, improving patient experience.

We will need to work with communities to increase understanding and acceptance of new models of care, which may not be based in existing buildings, and to encourage self-care to help people to stay well. An innovative partnership with DC Thomson, publishers of 'the Broons' cartoons, was one creative approach we took in 2023 to supporting people to get active and stay independent for longer.

There are also advantages to providing some specialised services at national centres of excellence, to improve the recruitment, retention, and training of specialised professionals. The current fragility of such services was illustrated in June 2023, when NHS Highland was unable to replace our only colorectal oncology consultant and had to request support from other boards to treat patients. While our staff have made tremendous efforts, national shortages of consultant oncologists, and some other specialties, can mean that vacancies have a significant and ongoing impact on small teams.

These challenges are shared by other health boards in Scotland, but the large geography and remote and rural nature of many of our communities, including islands, can exacerbate issues such as patient travel, out of hours and emergency care, and the central provision of services such as vaccination. We are also unique in our lead agency model, which sees NHS Highland providing adult social care in the Highland Council area. Through this and our integration arrangements in Argyll and Bute, we have seen the impact on care of a shortage of locally available staff. Care providers handing back packages and care home closures are becoming increasingly common as the sector struggles to remain sustainable.

Social care is an absolutely vital part of the whole health and care system. In 2023-24 we saw some of our highest and most sustained pressures on in-patient beds, in part because of increasing difficulty of finding and maintaining the care people need to leave hospital.

Pressures can be reduced by creating additional capacity. The National Treatment Centre Highland was officially opened by the First Minister in June 2023, currently treating ophthalmology and orthopaedic patients from across the north of Scotland. The new Centre has received rave reviews from patients and will play a significant part in reducing waiting lists.

We also progressed other capital projects, appointing a principal supplier for the replacement for the Belford Hospital in Lochaber and two new community Hubs in Caithness. However, the national pause in capital spending means that these projects, along with a relocation of GP practices to Cowal Community Hospital will not progress for the time being.

We will continue to work with Scottish Government, communities and partners to find solutions suitable for our area.

NHS Highland continues to deliver in key performance areas, maintaining its position as the second top performing Scottish mainland Health Board against the 95% target for four-hour Emergency Department despite very challenging circumstances. We need to ensure that we are not only measuring and improving waiting times and immediate health outcomes, but also patient experience and health inequalities.

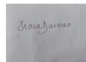
This year we saw changes to the Executive team who helped to guide NHS Highland through the pandemic and set the organisation on a path to sustainability and improvement. Chief Executive Pamela Dudek has been a stabilising influence for the past three years and will be greatly missed. Having taken on the Chief Executive role from 1 April 2024, I aim to continue the good work she has started.

Our Director of People and Culture, Fiona Hogg left her position with the Board to take up a secondment as Chief People Officer within the Scottish Government Health Workforce Directorate in April 2023. Gareth Adkins was appointed to the Director of People and Culture position on 19 July 2023. Gareth came to us from NHS Golden Jubilee and has brought a proactive, organised and robust approach to all his areas of responsibility.

Pamela Cremin was appointed to the role of Chief Officer, Community, in June 2023 having fulfilled the role in an interim capacity since February 2023. Meanwhile, Evan Beswick takes on my former role as Chief Officer of Argyll and Bute Health and Social Care Partnership on an interim basis.

Our Director of Estates, Facilities and Capital Planning Alan Wilson was appointed to a more senior executive graded post within NHS Grampian in January 2024. Alan is replaced by Richard MacDonald, who was previously Deputy Director of Estates, Facilities and Capital Planning NHS Highland.

We wish the very best to our former colleagues and I would like to thank them for all they have contributed during their time with NHS Highland.



Fiona Davies

Chief Executive NHS Highland

1.2 About NHS Highland

NHS Highland is one of 14 territorial boards in NHS Scotland and covers the Highland and Argyll and Bute council areas. We provide services across 40% of Scotland's land mass and service a population of over 320,000.

We have over 10,500 people who work within NHS Highland, including those in Argyll & Bute HSCP. This does not include our important colleagues who are employed by Local Authorities and other partners. Our services are delivered across four acute sites, 17 community hospitals and numerous community settings.

We have 66 care homes in the Highland Council area, of which 50 are independent. We have seen an increase in care homes permanently closing in the past years. We are unique amongst territorial boards in having a lead agency model for health and social care in the Highland Council area, with NHS Highland having responsibility for delivering adult social care.

In Argyll and Bute, we operate as part of an Integrated Joint Board. The diverse geography includes Inverness, one of the fastest growing cities in Western Europe, and 36 populated islands (23 in Argyll & Bute and 13 in Highland). Gaelic is spoken in some areas.

Our population lives with some challenges, including areas of deprivation and inequality and issues arising from fuel poverty and availability, complex transport difficulties and the rising cost of living.

People living in the NHS Highland area are also older than the Scottish average and can have increasingly complex health and care needs. The economy is heavily reliant on tourism, with seasonal work being common, although an impact of COVID has seen tourism become much more of a year-round business and that has added to our staffing challenges.

It is also an area often cited as having one of the best standards of living in the UK, with clean air, access to a beautiful outdoor landscape, and engaged communities.

People are proud of their area, and we want to work with them to find new ways to support delivering health and care as close to people's homes as possible.

1.3 Structure and Governance Arrangements

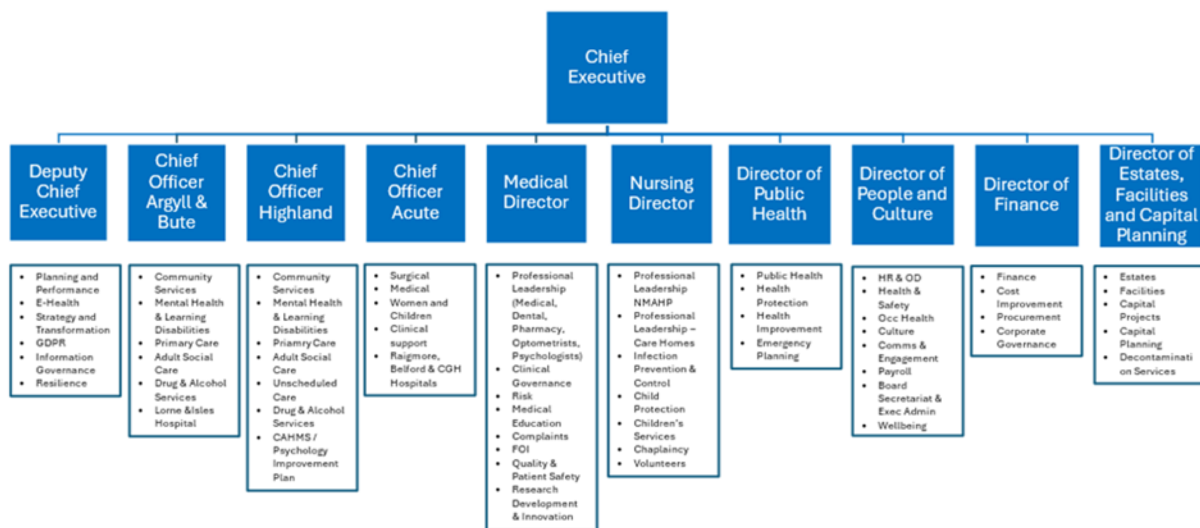
NHS Highland is managed by a Board of 23 members, made up of 18 Non-Executive and five Executive Directors who are accountable to the Scottish Government through the Cabinet Secretary for NHS Recovery, Health and Social Care. Executive Directors who are also board members are the Chief Executive, Board Medical Director, Director of Finance, Board Nurse Director, and Director of Public Health.

The Board is primarily responsible and accountable for setting the strategic direction, holding executives to account for delivery, managing risk, engaging with stakeholders, and influencing organisational culture. The Core Governance Committees are: Clinical Governance, Staff Governance, Finance, Resources and Performance, Highland Health and Social Care, and Audit Committees. These Committees are responsible for regularly reviewing and updating relevant policies in each of their areas of responsibility on behalf of the Board. Responsibilities for Health and Safety are reported directly to the Staff Governance Committee. The Remuneration Committee and Pharmacy Practices Committee also have a direct reporting link to the Board and perform a more focused assurance role. The Board membership also includes representation from the Area Clinical Forum and the Area Partnership Forum. Board meetings

are held every two months. Meetings continue to be held virtually, with members of the public able to attend online and a recording posted online afterwards.

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

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



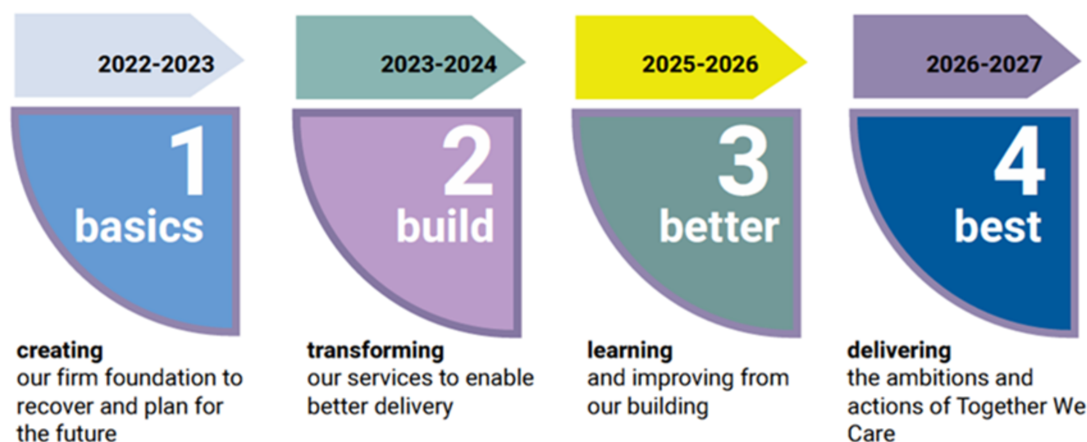
1.4 Priorities, Approach and Objectives for 2023/24 Strategy – Together We Care, with you, for you (to 2027)

The aim for 2023/24 was to build on the work undertaken during 2022/23 in progressing the NHS Highland's 5-year strategy, developing and defining the strategic transformation required to improve health outcomes for the people of Highland and Argyll & Bute.

The Build phase of this strategy continued to plan the long-term strategic change activity required to ensure Highland Health Board builds sustainability, with services delivered as locally as possible, that are high quality and person centred.

Key priorities for 2023/24 were the delivery of existing programme activity, including Urgent & Unscheduled Care and aspirations as agreed in Together We Care and the Argyll & Bute Strategic Plan. Furthermore, discovery work to support the development of processes to identify change ideas, strategic assessment and strategic design work took a focus in the final quarter of the year.

The strategic planning approach was laid-out in the board's Annual Delivery Plan for 2023/24, which focussed on phase 2 of the 5-year strategy, and this was received positively by key stakeholders including Scottish Government, NHS Highland Board and our external partners.



A key aspect of the Together We Care strategy is NHS Highland's interfaces to both Highland Health and Social Care Partnership (HHSCP) and Argyll & Bute Health and Social Care Partnership. In 2023/24, the HHSCP agreed its Joint Strategic Plan while priority activity for the Argyll & Bute Strategic Plan moved through the halfway stage of delivery.

As Together We Care moves into 2024/25 and its mid-way point, working in partnership will be at the heart of the planning approach in Highland, as the organisation builds a whole systems approach to strategic transformation and value & efficiency work required to meet the obligations for financial balance and the delivery of high quality services to our population. This will move Highland Health Board in the next stage of its strategy to learning and improving from this journey of strategic change to meet the requirements of our future.

While the Together We Care strategy provides the long-term strategic ambitions, Highland Health Board's Annual Delivery Plan for 2023/24 described the changes and improvement activity planned in the next 12 months as part of engagement within wider NHS Scotland and Scottish Government service planning activity.

The Highland Health Board ADP recognises of the role and responsibilities of the Lead Agency Integration Board (IB) in North Highland and the Integration Joint Board (IJB) in Argyll & Bute; focusing on the areas where we need to develop fully integrated approaches.

Progress against ADP 2023/24 was reported to Scottish Government on a quarterly basis throughout the year and a live tracker developed to monitor the progress of deliverables. The approach will be carried forward into 2024/25 however it is anticipated a new delivery framework from Scottish Government will mirror the approach already undertaken in NHS Highland, with a focus on key deliverables and performance metrics in the year.

The Scottish Government budget announcement in December 2023 presents challenges across the public sector. The pressures of inflation, increasing demand, pay, and other factors such as energy costs, are not matched by the funding available.

This means that through the board's next Annual Delivery Plan, there will be a focus in 2024/25 on Value & Efficiency workstreams established to ensure Highland Health Board can deliver efficiencies within services that contribute to the delivery of the board's 2024/25 financial plan.

These workstreams have been established to deliver change aligned to opportunities across NHS Scotland and examples would be to prescribing including the use of lower cost drugs, reviewing our office estate and reducing our use of supplementary staffing.

As well as immediate change priorities, a number of strategic design and choices work streams have been set-up that seek to establish sustainable models of service delivery to tackle the needs of our population, on the backdrop of our financial resources available and the requirement to maintain high-quality, safe and person-centred services.

The annual planning cycle involves teams, services and senior leadership from across Highland Health Board and lists the deliverables planned for the next financial year, and how this will contribute to meeting our Medium Term Objectives as described in Together We Care.

Our ADP deliverables for 2024/25 link to work being undertaken nationally to consider services that are not considered sustainable, with a view to building collaborative NHS Scotland approaches to tackling problems shared across health boards, with scoping underway for vascular surgery and oncology service delivery.

The Annual Delivery Plan for 2024/25 and updated Medium Term Plan to 2026/27 will be agreed with Highland Health Board and the Scottish Government and will be subject to 6-monthly progress reports to ensure delivery remains on track.

Principal Risks to Delivery of our Strategy and Annual Delivery Plan

The Highland Board has identified and manages the principal risks to the delivery of its strategy and objectives through its risk register process. The principal risk to the delivery of its strategy and objectives identified by the Board during 2023/24 were that:

The strategic, transformational and efficiency-related benefits progressed through the Together We Care strategy would fail to be realised as a result of resource challenges.

The current financial position requires NHS Highland to systematically redesign (workforce operating models, digital efficiencies, capital utilisation) whilst maximising available resources to meet the requirements of the Highland and Argyll & Bute population, delivering services that meet performance, quality and finance available. Furthermore, models of care require to be integrated and networked in order to enable improvements in patient experience and outcomes.

In order to mitigate this principle risk, NHS Highland established the Strategy & Transformation Accountability Group (STAG) and the Value & Efficiency Accountability Group (VEAG) to apply framework-backed governance and oversight on all areas of improvement and transformational related programmes. This work will take an evidence-based and risk-aware approach to delivering change systematically while delivering efficiencies and opportunities to maximise available resource.

Complimenting the assurance and governance structures to enable changes in the organisation is the development of the NHS Highland Health & Wellbeing Strategy, which is subject to consultation within the organisation. The Health & Wellbeing Strategy sets out how

NHS Highland will support staff so that they can provide great care, have improved satisfaction in their roles and feel supported at a time of rapid change and system pressures that are driving the requirement for this change.

Whilst NHS Highland has developed the framework to deliver and enable change, the whole-system changes required to deliver transformation are complex and challenged by the risks as summarised above. This principle risk will continue to evolve over time, with mitigations in place to ensure there is minimised impact on patient safety and quality of care receipt.

Performance Management

Enabling performance-led services through NHS Highland has been a key development in recent years, embedding the collation, reporting and escalation of key performance metrics into the Highland Health Board's management and governance structures. This embeds the use of performance data to support change activity and develop trajectories towards improvement. These principles of performance management are embedded alongside deliverables within NHS Highland's ADP and linked to the Together We Care strategy.

In considering changes required to services in Highland, data and intelligence is available to inform these decisions from a performance, workforce, quality and sustainability perspective, at operational, tactical and strategic levels.

Highland Health Board has developed a Performance Framework which includes Integrated Performance and Quality reporting (IPQR) embedded into reporting. The IPQR highlights the key performance indicators that are linked to our Together We Care strategy and the focus of our aspirations for improvement.

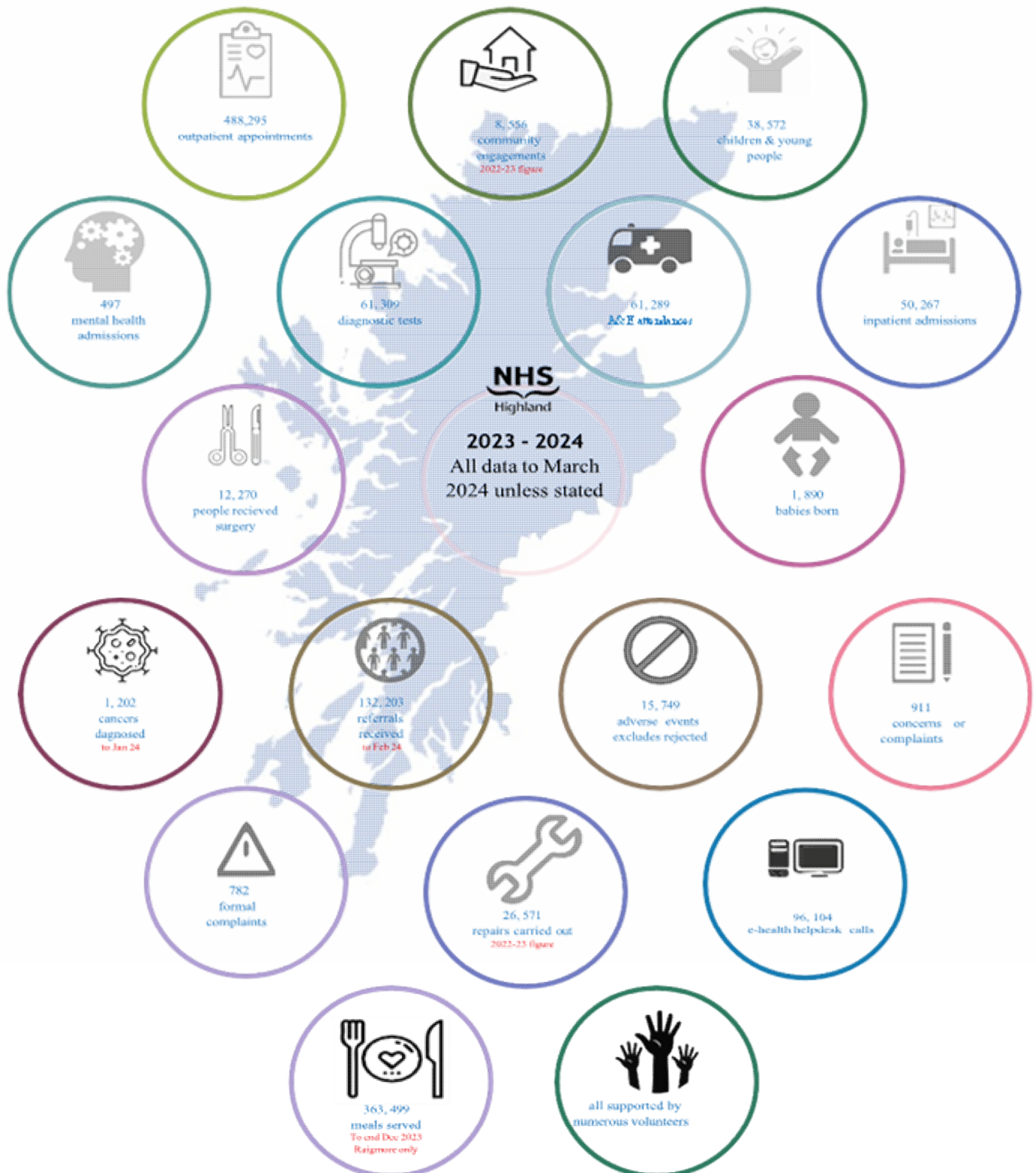
A further refresh of IPQR is expected in line with the establishment of Value & Efficiency work streams and a requirement to measure critical improvement outcomes to assess the impacts of change in our portfolio areas; Place-Based, Acute, People & Culture, Prevention & Self-Care, Digital, Estates and Research & Innovation.

The following sections provide an overview of performance, reflecting on NHS Highland's current position and where there have been improvements in performance across key priority areas and work ongoing to improve services for the people of Highland and Argyll and Bute.

Performance Analysis

Our teams across NHS Highland and Argyll and Bute have continued to deliver high- quality, patient centred services despite the challenges described. The graphic below illustrates the high-level key metrics across our system that we have delivered.

Acute Care



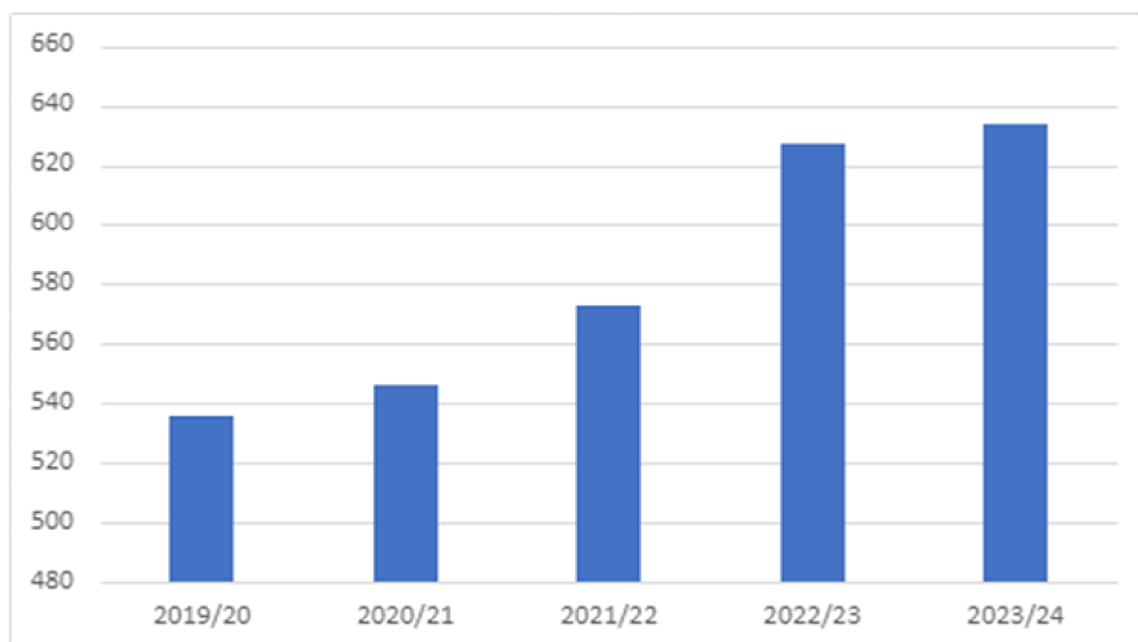
There continued to be high demand for hospital-based care in 2023/24 for both emergency and planned care. NHS Highland continues to deliver a greater number of acute beds than is currently budgeted with additional staffing for these provided by agency and locum workers, which is at a higher cost to the Board.

Requirement for these beds is mainly due to the current high rate of Delayed Hospital Discharges (DDs) which persist at a high level across NHS Highland and is subject of a renewed focus in 2024.

A DD is defined as a patient who is clinically ready for discharge from inpatient hospital care but who continues to occupy a hospital bed beyond the ready for discharge date.

DDs represent a whole system issue and remain a high priority area for improvement as detailed within the board's ADP, with workstreams established to deliver efficiency in processes as well as looking at longer-term strategic solutions to reduce the high number of DDs in NHS Highland.

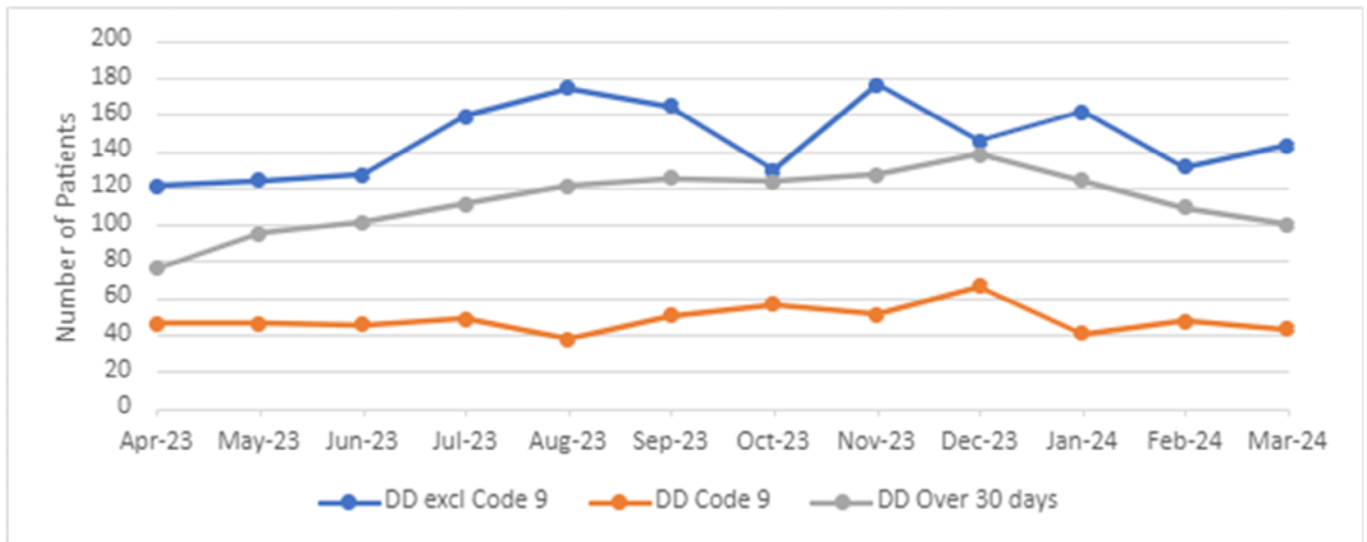
Figure 1 Number of Acute Beds in NHS Highland since 2019/ 20



The ongoing rate of DDs is unsustainable to NHS Highland and impacts on all services due to the lack of available hospital beds, particularly for planned care such as elective surgery. Where possible, planned care activity for cancer and other life-threatening conditions is being prioritised within the available hospital beds.

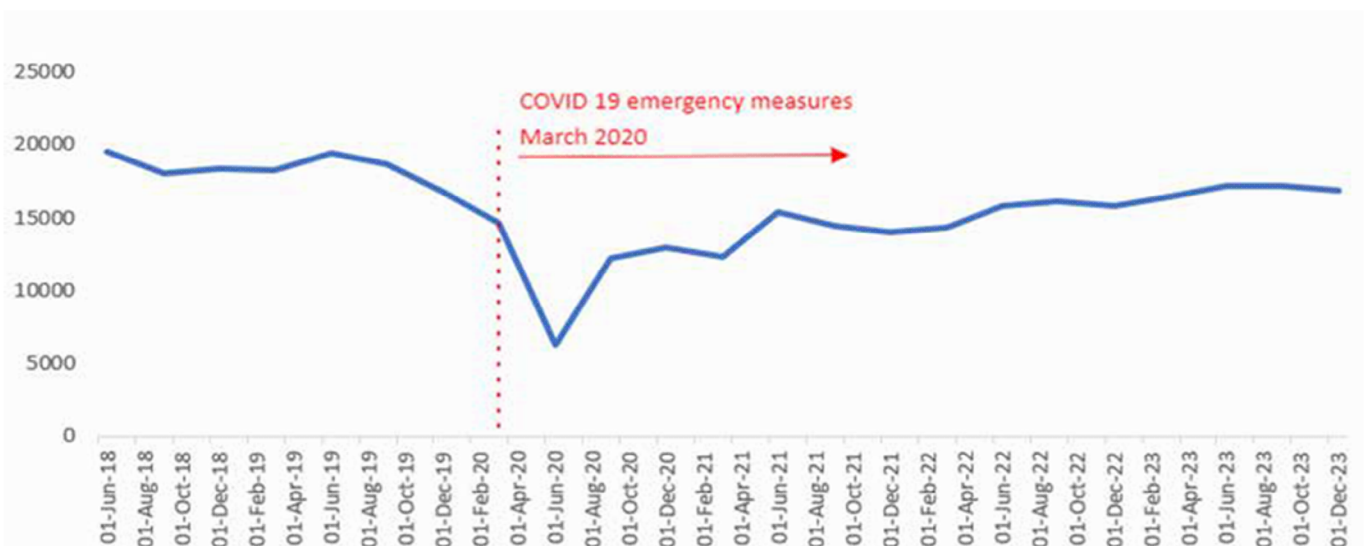
NHS Highland

Figure 2 Delayed Discharges trends in NHS Highland



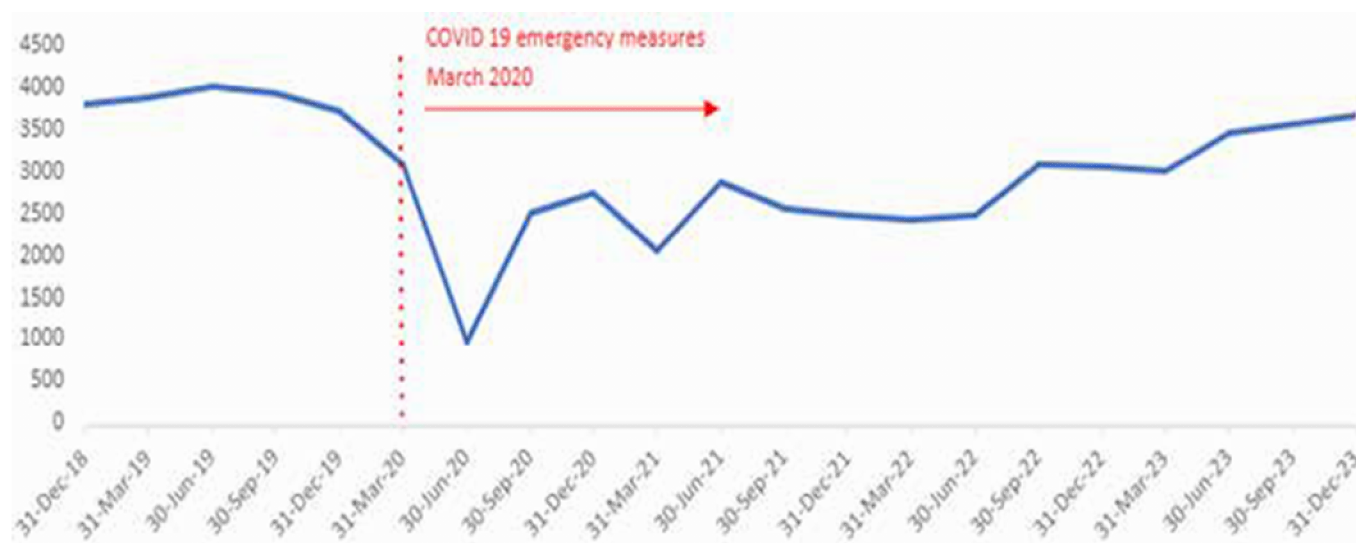
Reducing the total number of delayed discharges is a key priority for Highland Health Board in 2024/25 and subject to a list of actions in our ADP under the "Care Well" strategic outcome. The chart above shows that DDs remained high throughout 2023/24.

Figure 3 Referrals to Acute Services



Referral rates to NHS Highland are now typically at, or above, the numbers before the COVID-19 pandemic. Feedback from clinicians is that they are also seeing more patients with advanced disease than they would have previously, with some evidence that this is an impact from the pandemic.

Figure 4 Elective Admissions to Acute Services



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

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

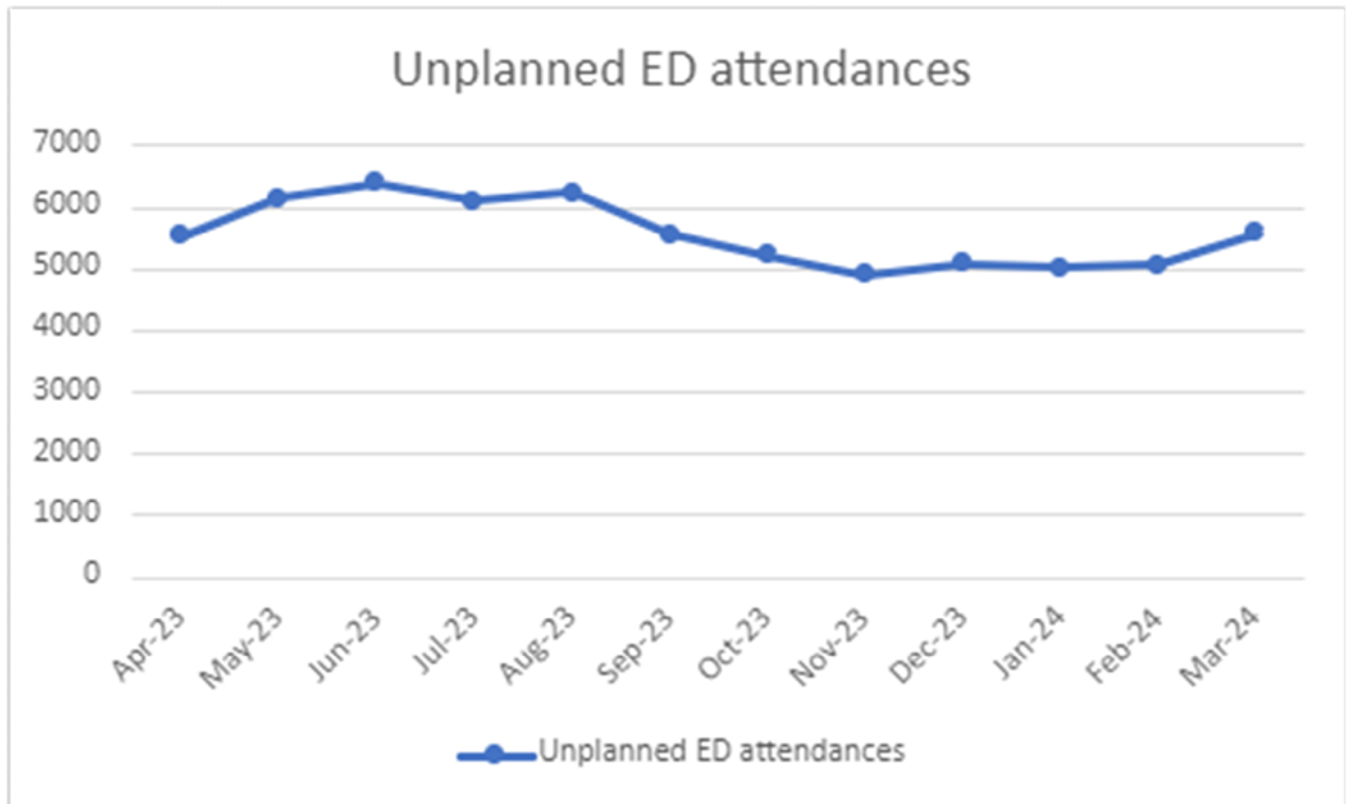
- the availability of beds for the admission of elective patients after emergency patients and other conditions had been accommodated
- the availability of beds due to increased pressure from delayed discharges
- additional infection prevention measures which were maintained, particularly within inpatient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

Urgent and Unscheduled (Emergency) Care

4-Hour Emergency Access Target

The national target is to ensure over 95% of our population will wait no longer than 4 hour from arrival to admission, discharge, or transfer from Emergency Department (ED). NHS Highland performance was 78% at the end of March 2024.

Figure 5 4 Hour ED Access Target



96,918 unplanned ED attendances during 2023/24 compared to 90,301 in 2021/22.

The 4-hour Emergency Access Standard remains the key indicator and measure of whole system safety. NHS Highland's performance is 78% at March 2024, with the Scottish average being 62.1%. NHS Highland performed well in the national picture, however achieving the target remains a challenge. Demand for ED services has remained consistently high this year as demonstrated in the chart above. The main reason for not meeting this target was access to beds within acute hospitals which impact on the flow of available beds within ED.

NHS Highland's Urgent and Unscheduled Care Programme continues to take forward improvement actions with a focus to prevent and reduce emergency admissions, keeping care close to home and reducing length of stay in acute settings. Key to this is supporting processes in NHS Highland's four emergency departments and ensuring strong linkages with partner organisations such as Adult Social Care and the Scottish Ambulance Service. NHS Highland's approach to this programme is to redesign services so that people receive the right care, in the right place, at the right time.

For 2023/24, NHS Highland also implemented a Winter Planning group to utilise available intelligence and information to support planning for the expected increase in emergency admissions during this time, creating capacity to be scaled-up and down according to the demand coming through EDs.

This included the use of Operational Pressures Escalation Levels (OPEL) as an escalation system used to support the assessment of risk with current demand for services, and escalation where additional action is required to meet current demand. The OPEL system

supports whole system awareness on the current pressures affecting Raigmore Hospital in Inverness, by assigning a numerical value to support actions in de-escalating the current pressures. The system has provided NHS Highland with an operational framework to support appropriate measures, particularly over winter. It is a key aspiration in 2024/25 to extend OPEL across other acute and community sites in NHS Highland.

What we heard (Source: Care Opinion)
"Recently had to have urgent gallbladder surgery. 5c looked after me so well, as did 4A after my op. A&E were amazing. Ambulatory took good care of me. Followed me up right through the whole process. What a credit to NHS they all are!"

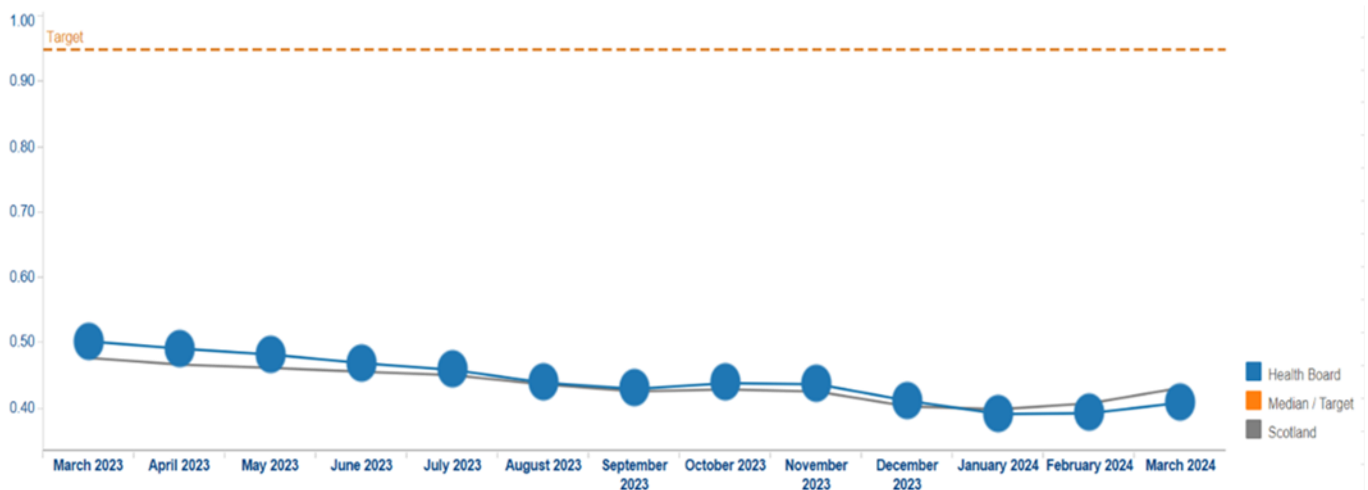
"I was admitted to hospital with some really worrying symptoms. From the minute I arrived at ward GA I was treated with care & skill from the obviously very busy staff"

Outpatients

The national target for outpatients (OP) is that more than 95% of patients will wait no longer than 12 weeks from referral to appointment.

NHS Highland performance against the standard was 55.6% in 2023/24, and this represents the proportion of patients being seen within 12 weeks of referral.

Figure 6 Outpatient National Target Compliance



In 2023/24, there continued to be an increasing trend of outpatient referrals. Feedback from clinical teams is that they are seeing patients with more advanced disease, and therefore requiring more complex care.

NHS Highland has established an Outpatients Transformation programme to investigate opportunities to redesign our model of outpatient service delivery, and this programme is currently considering the information and intelligence around this service delivery, to

consider the options available to improve delivery of these services for the rural and island population of Highland.

This will include determining where Outpatient treatments can and should be delivered and how waiting lists can be optimised to ensure capacity is targeted at priority services. This includes validation of waiting lists to ensure patients awaiting outpatient treatment still require this care.

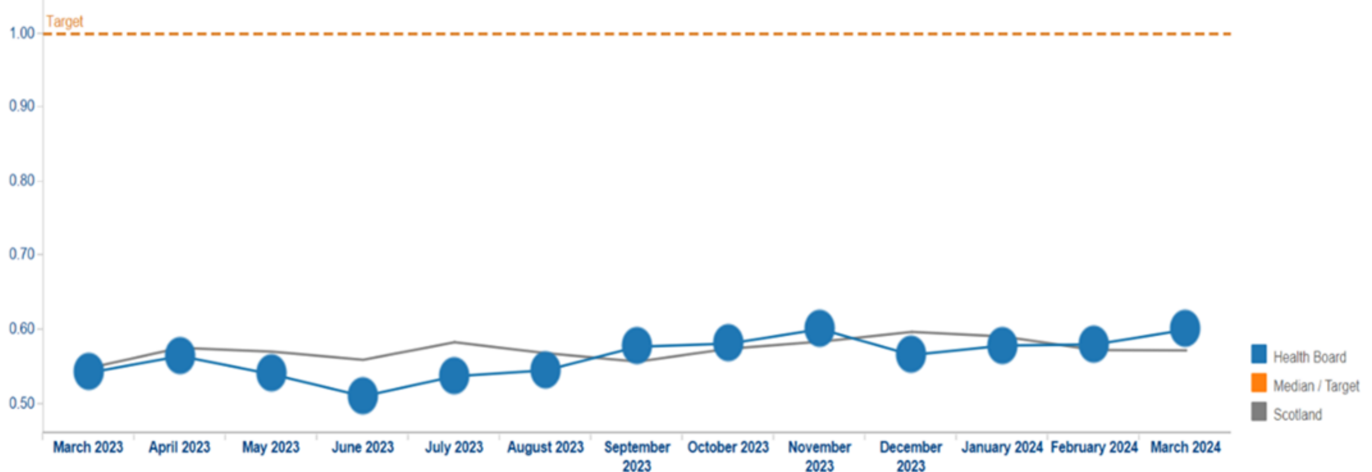
As at March 2024, there were 1,756 patients who have waited over 52 weeks for an outpatient appointment. NHS Highland remains above the national average for the 2023/24 year.

What we heard (Source: Care Opinion)
"I had an internal ultrasound. I went in feeling embarrassed, but the two female nurses put me at ease instantly, told me exactly what was happening at all times and why, made sure I wasn't in any discomfort."
"I recently attended the Highland Breast Centre. I was impressed to have been seen two weeks to the day after seeing my GP. Everyone at the clinic was very friendly and introduced themselves. The surgeon was thorough and advised undertaking biopsies. I left the clinic about 90 minutes after arriving which was very efficient."

Elective Surgery (Planned care)

The national target for Treatment Time Guarantee (TTG) is that no patient will wait longer than 12 weeks from decision to treat to treatment. NHS Highland performance against this standard was 56% in 2023/24.

Figure 7 Treatment Time Guarantee National Target Compliance



NHS Highland continues to prioritise patients with longest waits for surgery, managing the demand for elective surgery in the Health Board and at March 2024 we are achieving 60% compliance against the Scotland average of 57.2%.

Maintaining elective surgery services is linked to workforce availability and system pressures including delayed discharges, increases in need during the winter period and emergency admissions.

There has been success in reducing the number of patients waiting more than 104 weeks for surgery, in March 2024 this is 376, down from 538 in March 2023.

It is recognised that there is considerable work to do to meet the demand for elective care. A key focus in 2024/25 will be to review elective care surgery delivery in NHS Highland, making the most of NHS Highland's theatre capacity and making sure that care is in line with the Scottish Government's Realistic Medicine principles.

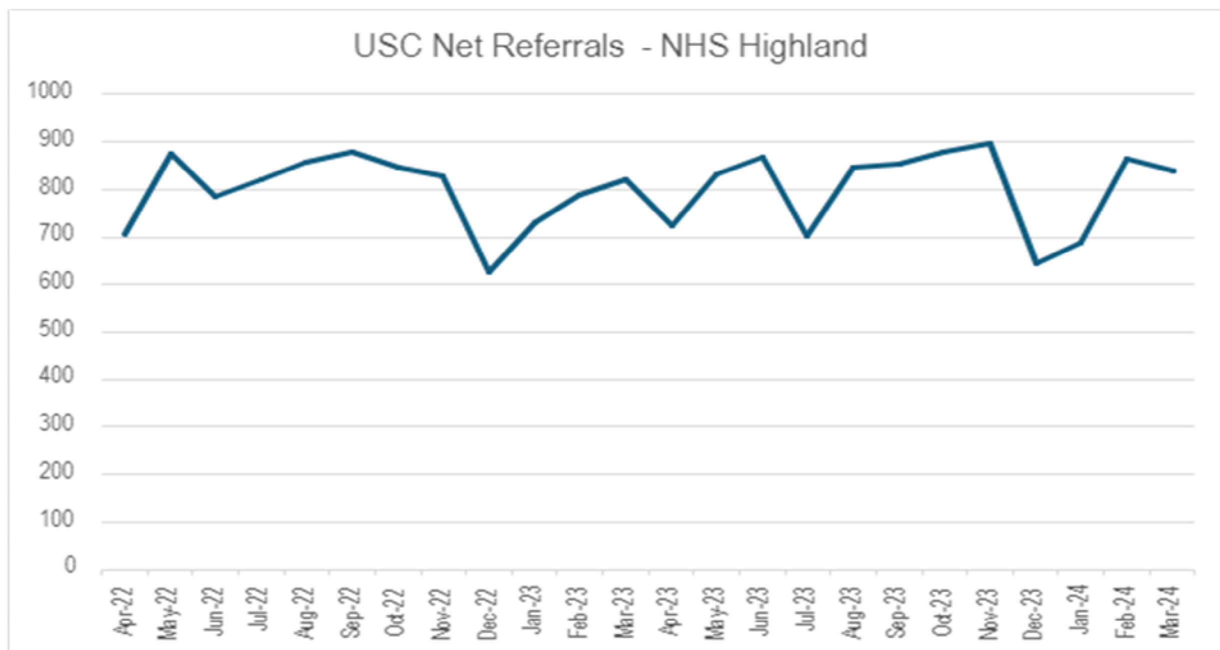
What we heard (Source: Care Opinion)
I had an accident on holiday that required orthopaedic surgery and an in- patient stay at Raigmore Hospital. The physios worked me hard to ensure I could be discharged safely
No-one looks forward to major surgery and most people have a fear of it, but with the support of both the nursing team and surgical team I made excellent progress. I am grateful for the care I received from them all during this traumatic time.

Cancer

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

NHS Highland performance at March 2024 was 94.3% for 31 Days and 62.1% for 62 days.

Figure 8 Total number of Urgent Suspected Cancer (USC) Net Referrals received each month



USC referrals remain at the highest levels that they have ever been, putting additional pressure on all cancer services which includes diagnostics.

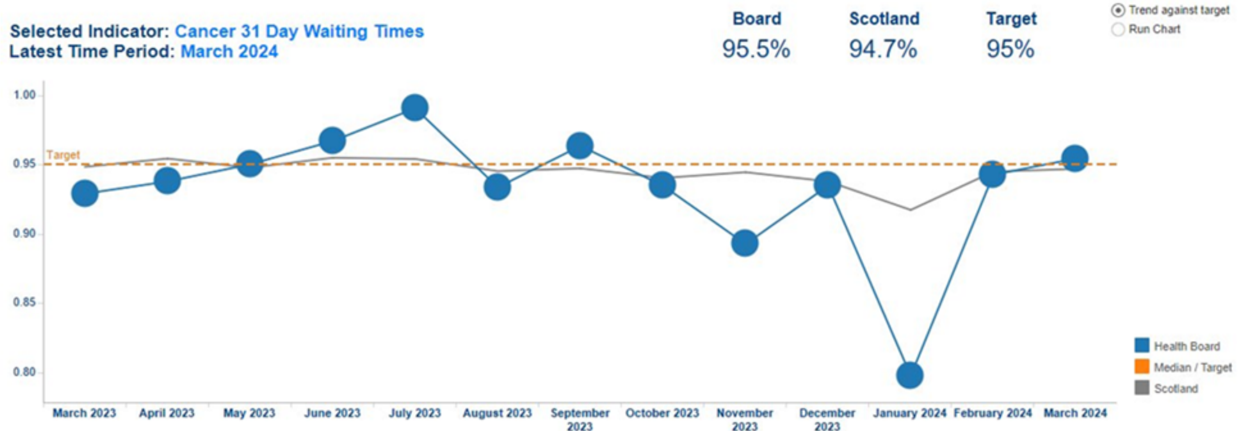
Referrals are now approximately 50% higher than they were prior to the COVID pandemic. The reasons for this are not fully understood at this time but the position faced in NHS Highland is mirrored across Scotland including;

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

HIGHLAND HEALTH BOARD

NHS Highland

Figure 9 31 Day Cancer Performance

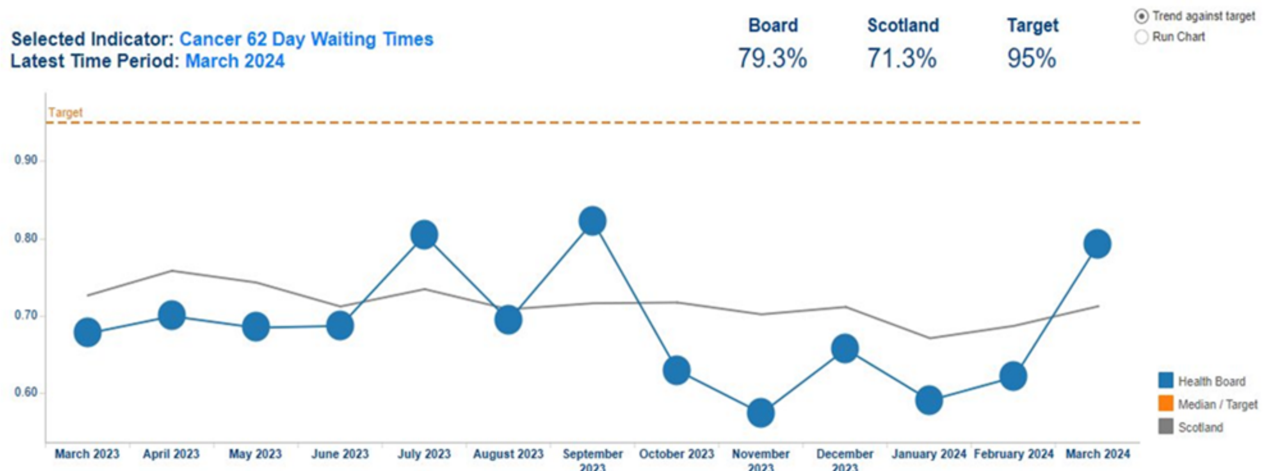


National 31-day cancer performance is measured as the time from diagnosis to treatment for all new cancer patients.

Throughout 2023/24, NHS Highland performance was typically above the national average, and has recently recovered from a difficult period associated with increased demand for services in January 2024.

Performance in NHS Highland at March 2024 is above the national average and above the national 95% target, and it is anticipated this will be sustained into 2024/25.

Figure 10 62 Day Cancer Performance



Whilst achievement of the 62-day national cancer target remains a national issue, NHS Highland in March 2024 performed above the national average, with the target measuring the time from referral for urgent suspicion of cancer to treatment.

NHS Highland's performance of 79.3% in March 2024 represents an improved position and it is anticipated this improvement will be sustained into 2024/25.

NHS Highland has implemented an effective breach analysis process that identified patients at risk of breaching the 31-day and 62-day standards and escalates them so that the right action can be taken. The pressures on the system, particularly for scope-based diagnostics, are sustaining and this is recognised with the targets having not been met across Scotland for some time.

Long-term strategic planning of cancer services has started with the work focused on Systemic Anti-Cancer Therapy services across NHS Highland, to design a sustainable model of service delivery to our population. It is anticipated this will be an area where there will need to be a level of national collaboration due to the shared challenges faced by NHS boards.

What we heard (Source: Care Opinion)
"All members of staff were very friendly, supportive, and professional in every aspect of their work. The arrangements for the treatment were fully explained before commencement. I was made to feel fully at ease with the procedure- helped by the caring attitude of the staff."
"The staff, especially the nursing staff are excellent in both the CT and oncology area at Raigmore I find them experienced, friendly and obliging. They provide an excellent service to all of us cancer patients"

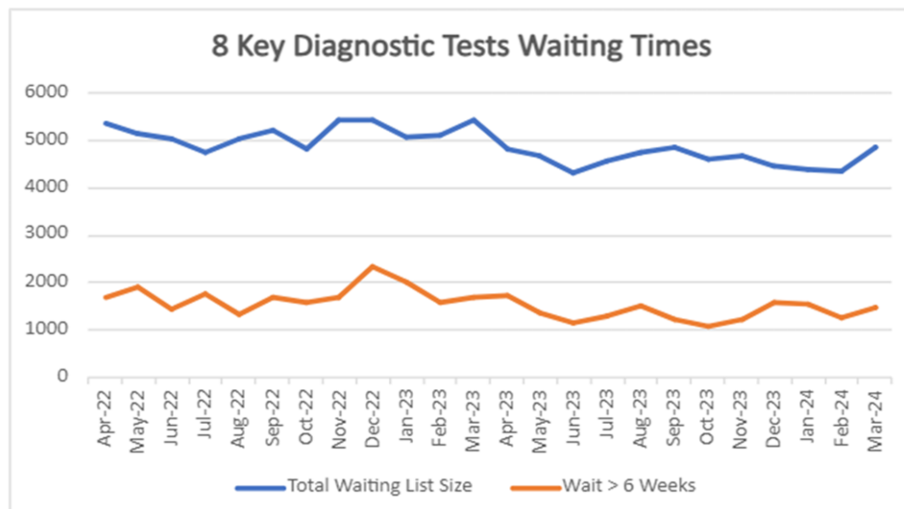
Diagnostics

Nationally, NHS boards measure performance for diagnostics utilising a national report 8 key diagnostic tests. At the end of February 2024, 70% of patients were waiting less than six weeks to receive their investigation. NHS Highland is working hard to reduce the number of patients waiting more than six weeks for these key diagnostic tests.

Over the last 2 years there has been a reduction in the total number of patients awaiting diagnostic tests from nearly 5,500 in February 2023 to just above 4,000 in February 2024.

These trends reflect a combination of persisting referrals for outpatients' investigation and increasing challenges with workforce and capacity to be able to deliver the required level of diagnostic investigations to meet the overall demand for these services.

Figure 11 8 Key Diagnostic Tests – referral to appointment



The Eight Key Diagnostic Tests and Investigations covered by the standard are:

- Upper Endoscopy
- Lower Endoscopy (excluding Colonoscopy)
- Colonoscopy
- Cystoscopy
- Computer Tomography (CT)
- Magnetic Resonance Imaging (MRI)
- Barium Studies
- Non-Obstetrics Ultrasound

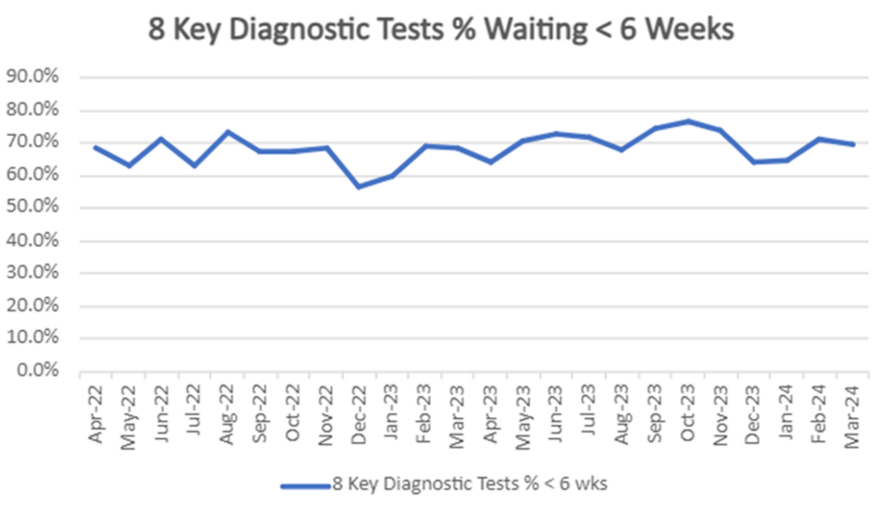
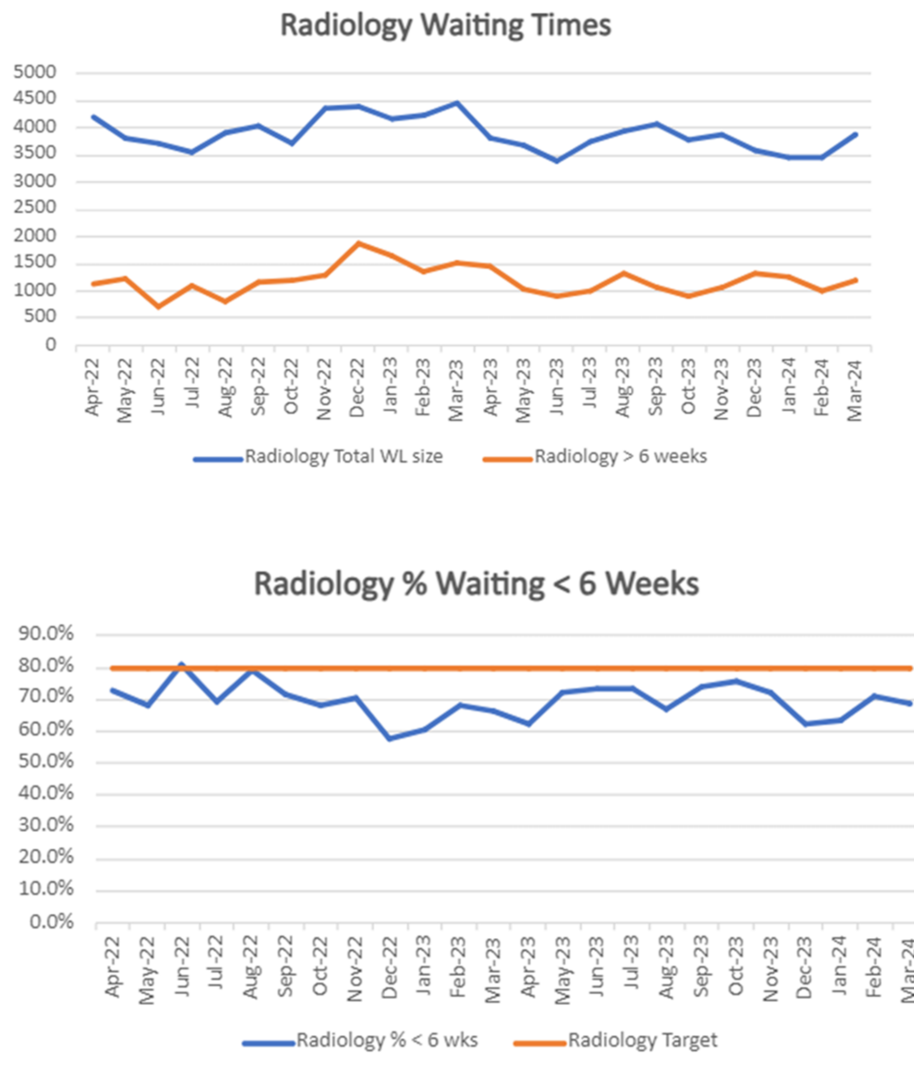


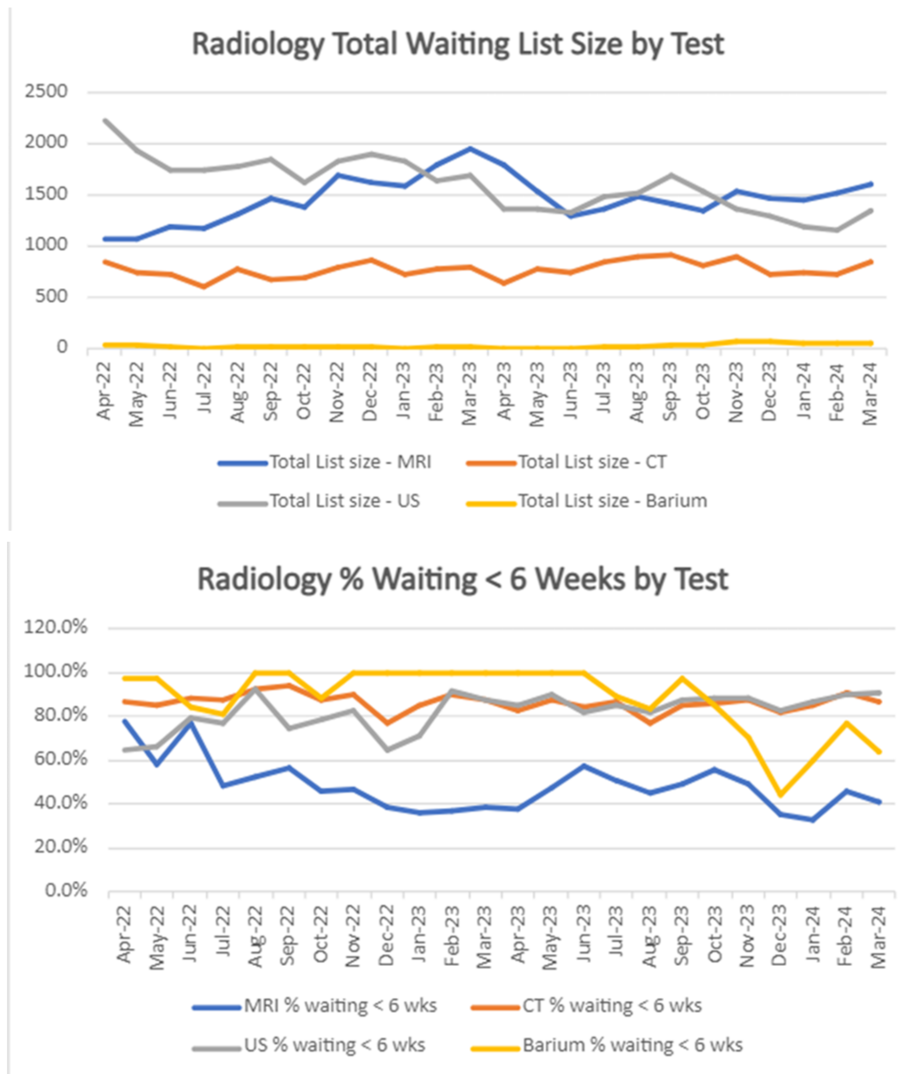
Figure 12 Radiology Waiting Times – from referral to appointment



NHS Highland has managed the demand for radiology services throughout 2023/24 and maintained steady performance over the last 2 years for patients waiting more than 6 weeks for an appointment. A programme has been established to investigate opportunities in the delivery of Diagnostic services in NHS Highland to meet future service demand.

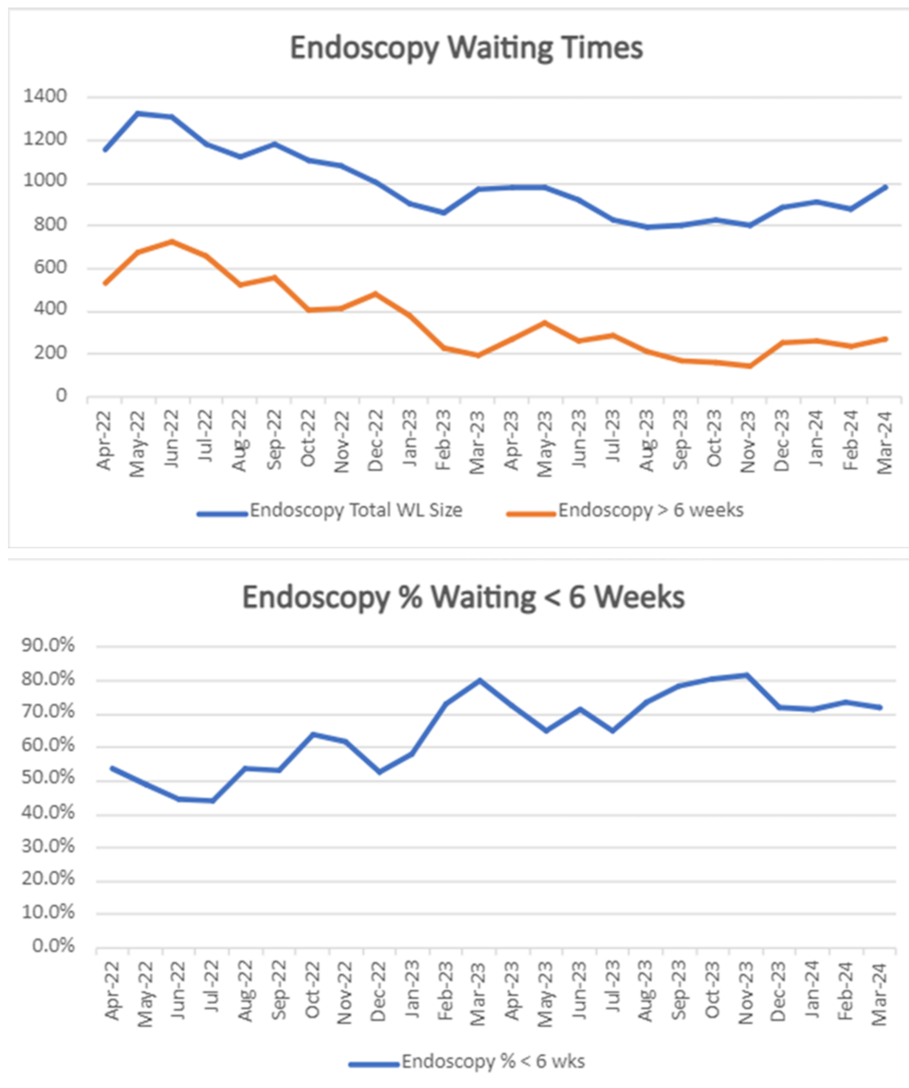
NHS Highland

Figure 13 Radiology Waiting List Size by Test



NHS Highland recognises there continues to be an increase in the demand for MRI investigation and work is ongoing to plan Radiology services to enable capacity to meet the demand and meet the national waiting time standards.

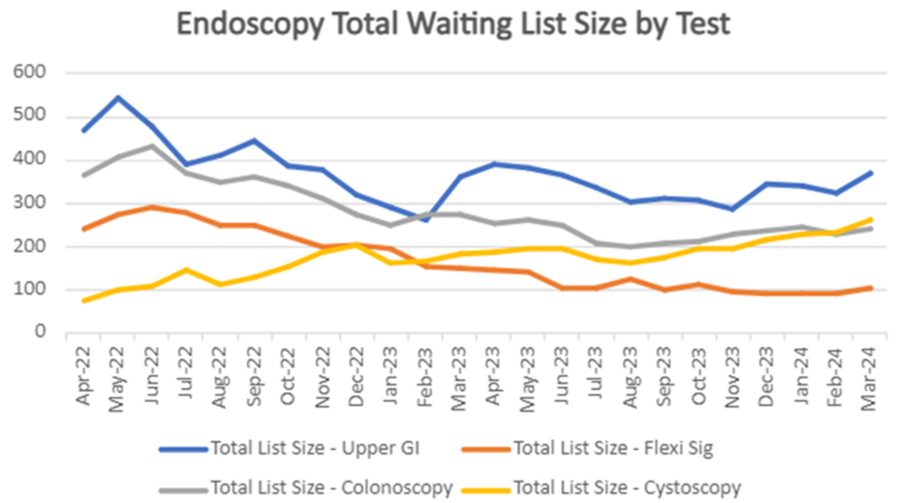
Figure 14 Endoscopy Waiting Times – referral to appointment

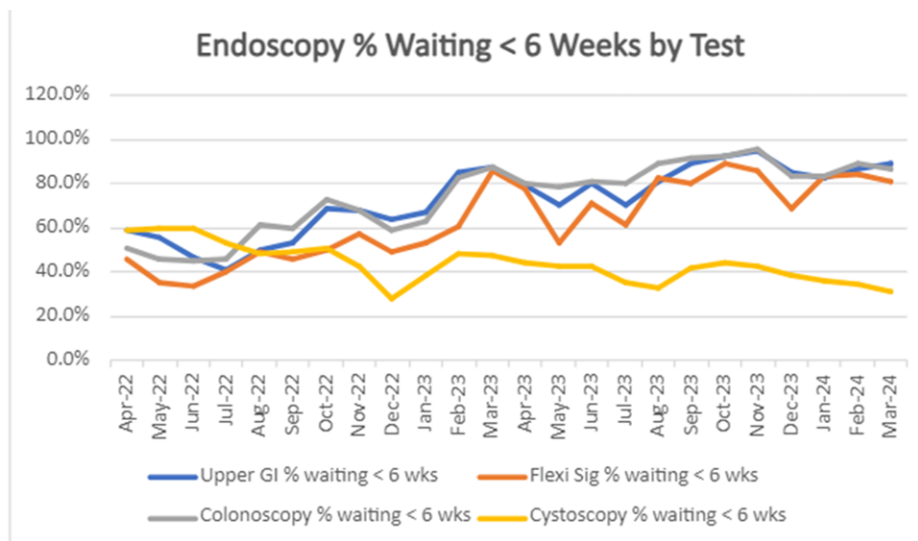


Endoscopy waiting times remained mostly unchanged throughout 2023/24.

Endoscopy remains a national challenge however NHS Highland has made some progress against the national position, particularly in maintaining the percentage of patients waiting less than 6 weeks for scope-based diagnostics which is despite the total numbers on the waiting list remaining steadily around 900.

Figure 15 Endoscopy Waiting Times by Test – referral to appointment





To support the transformation of diagnostics within NHS Highland, a programme has been established to understand the current demand for diagnostic investigations across NHS Highland, identifying areas of variation across both acute and primary care settings with the aim of streamlining demand and improving flow to reduce overall waiting times.

Highland Health & Social Care Partnership

NHS Highland undertakes the lead agency role for the Highland Health and Social Care Partnership (HHSCP), alongside partners including the Highland Council. The HHSCP has the ambition of providing a range of local services. The goal is to deliver effective and efficient person-centred care within community settings across the Highland Council area.

This has resulted in the agreement and publication of the Joint Strategic Plan for Adult Social Care services. Work is underway to refine the performance management framework for the Highland Health and Social Care partnership to ensure that we have high-quality performance information available to support any future change and improvements.

To develop a baseline of current services, work to develop Integrated Service Planning is underway which brings together performance, workforce, quality and resource information together to support service planning activity. Within the current financial context, there are several programmes of work that may impact on NHS Highland's ability to improve performance within the current financial envelope available, but attention will also focus on embedding strategic transformation change that will deliver improvements for future years.

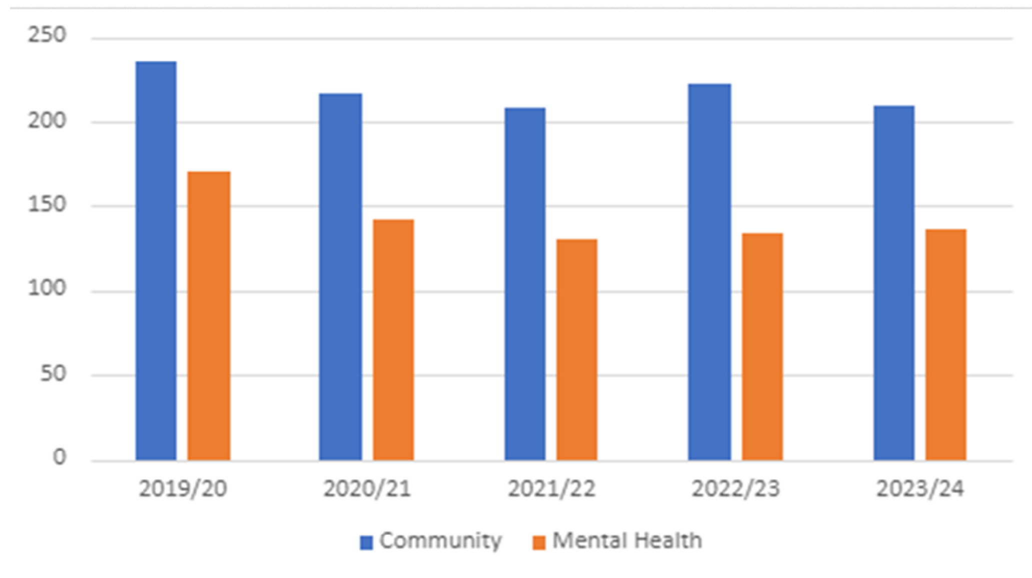
This will also extend into work within Primary Care delivery General Practice, Dental and Pharmacy services within localities across NHS Highland. Performance information relating to the HHSCP is included in the sections below and patient experience demonstrates the value of community services to the people of Highland.

Community Hospitals and In-Patient Mental Health

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

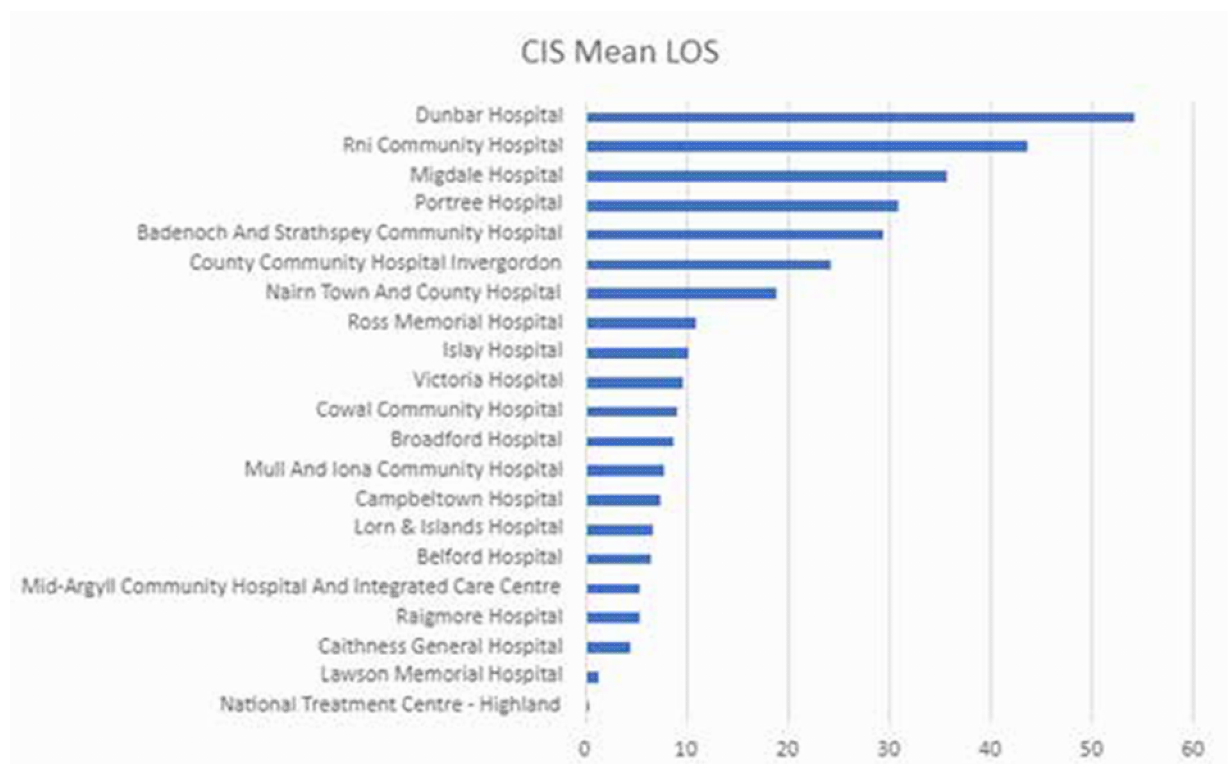
What we heard (Source: Care Opinion)
"Offered a consultation support service for a year. Really pleased I opted in. The practitioner is excellent and really supportive. After 6 months I have seen a real benefit. My physical and mental health have improved. Knowing that the support is there for another 6 months is helping to keep me motivated. The resources available are good however the most important and most beneficial part is having 1:1 support. A great service."
"I heard about the Highland Sexual Health menopause service and Dr Lata's clinic, and I called to see about a referral. I got an appointment, and it has changed my life. Everyone I have had contact with at Highland Sexual Health, where this clinic is, has been professional and I have been treated with care and understanding. When suffering through the menopause, confidence can be eroded, and women can be wrongly judged as being hysterical and overly emotional. Many women sufferings in perimenopause and menopause may not have the strength or confidence to pursue help. I feel lucky every day that I did not have to struggle on and I got help and support at this clinic."
"I was unwell and contacted the surgery this morning. I was contacted back within 2 hours for an initial telephone consultation. I sent photos of the problem then was contacted again by a GP for a second discussion after lunchtime."

Figure 16 Admissions to Community Hospitals and Mental Health In-Patient Services



In 2023/24 the number of beds available has returned to levels of 2021/22.

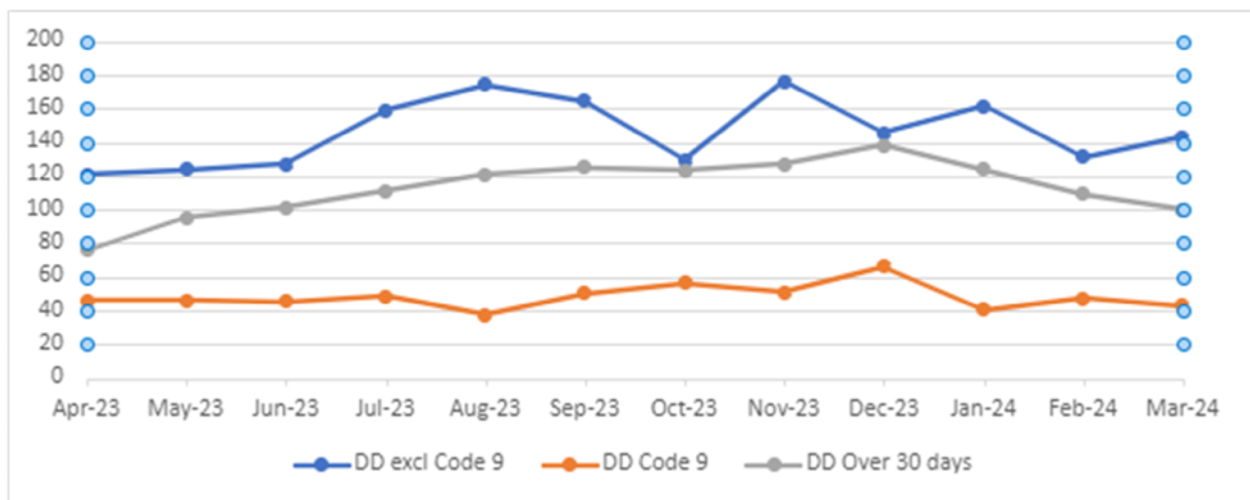
Figure 17 Mean Length of Stay all Hospitals



Whilst overall there has been a reduction in the Length of Hospital Stay, this remains high in community hospitals settings across NHS Highland. The chart above shows the range in Length of Stay from over 50 days in Dunbar Hospital to 2 days in the Lawson Memorial Hospital.

What we heard (Source: Care Opinion)
"The nursing staff at New Craigs have been great over the years. They got to know me and my family and I found them so human."
"I was referred to the self-management skills course by the mental health team when I was having a really bad time. I found this really helpful, as they actually suggested something proactive and useful, that I wouldn't have to source myself"

Figure 18 Delayed Discharge – Community



The picture across NHS Highland to March 2024 is that there continues to be a high number of patients awaiting to be discharged from a hospital bed. Transformational work to improve the flow from community hospitals to other care providers is underway and it is hoped this will reduce the number of delayed discharges and supporting people to receive the right care in the right place.

Factors that may impact the ability for patients to be discharged include the availability of care, whether through a care package with the Highland Health and Social Care Partnership, within a care home (independent or NHS Highland operated) or the availability of care at home from family / carers.

At the end of March 2024, there were 143 people in delay across NHS Highland (this includes patients across both Argyll & Bute and the Highland Health and Social Care Partnerships).

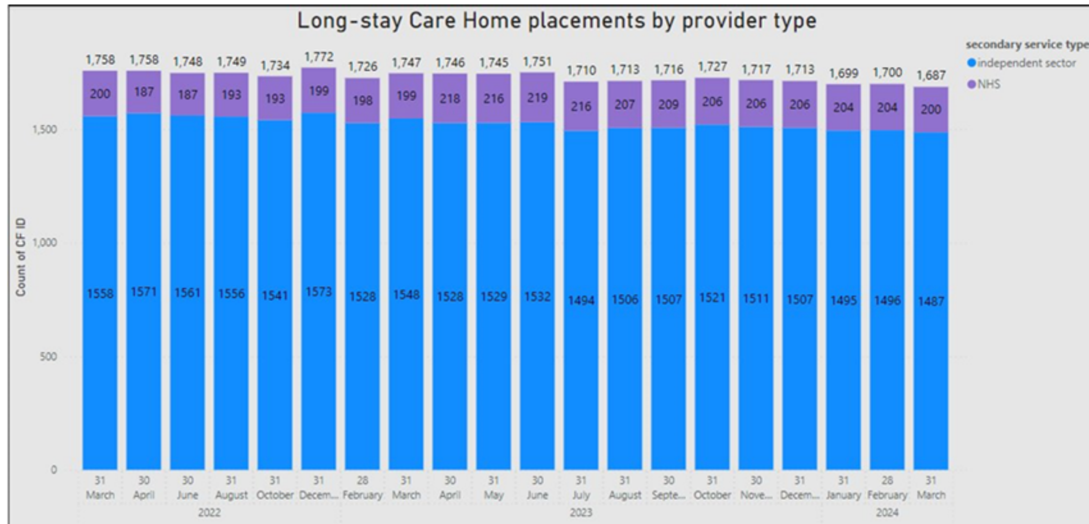
Care Homes

A key part of the Together We Care strategy is to support actions in relation to the care homes within NHS Highland. This involves working directly with care home providers to manage provision of care home places.

The Highland Health and Social Care Partnership (HHSCP) has been developing a locality model as a preferred and intended direction of travel for the provision of health and social care

services, the key objectives of which are safe, sustainable, and affordable locality provision. This is strategic work in progress which will be set out within the Partnership's Strategic Plan.

Figure 19 Long Stay Care Home Placements by Provider Type



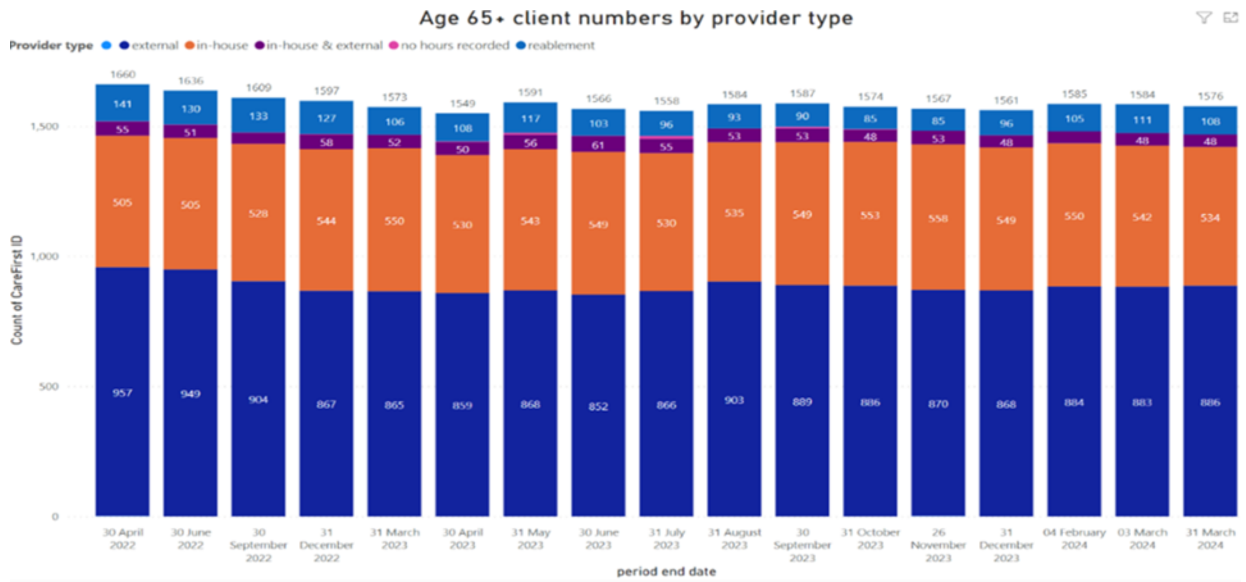
Care at Home Services

NHS Highland works closely with providers of Care at Home services in the independent sector and these services are vital to supporting the healthcare system across the area, supporting people to remain at home while they receive health and care services.

There are 20 independent sector care at home providers, who collectively deliver 9,000 hours of care at home provision per week across the Highland Health and Social Care Partnership. NHS Highland also operates a care at home service, delivering 4,600 hours per week. There are also 308 service users receiving a care at home service where care is directed by the individual, but paid-for by the relevant council.

NHS Highland

Figure 20 Care at Home Number of Highland Clients Aged 65 years +



The number of people aged 65 and over receiving Care at Home remained steady across 2023/24.

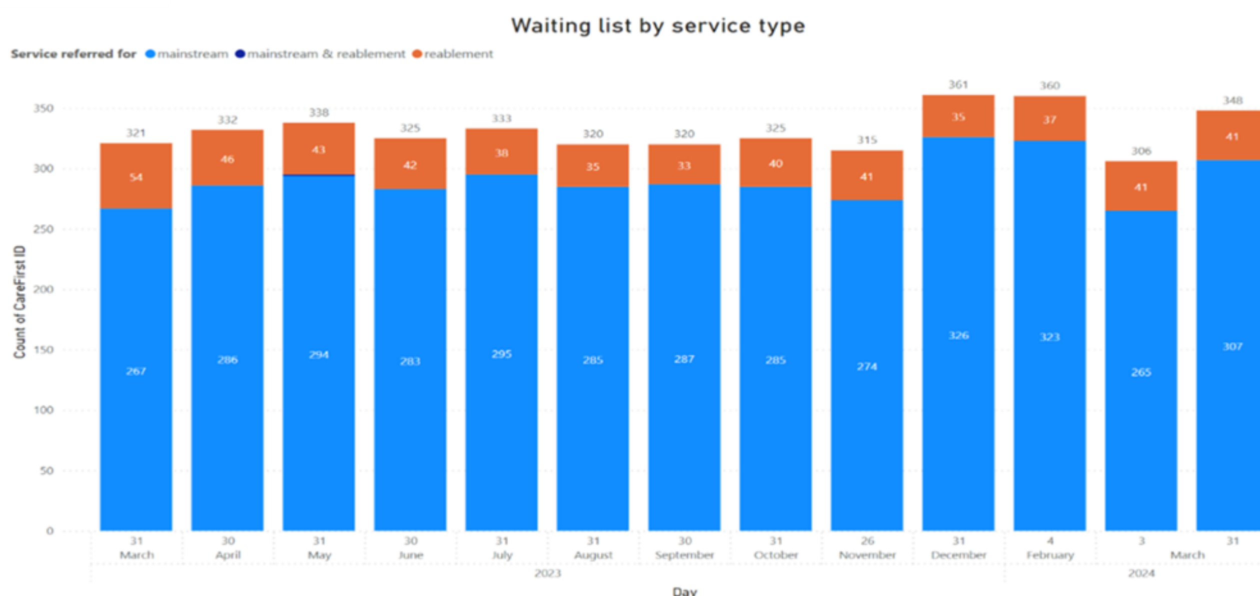
NHS Highland

Figure 21 Care at Home - Number of Clients and Hours per Area & Team NHSH In-House, March 2024

Area	Clients	Hours
Mid	**51**	**383**
Easter Ross	30	272
Mid Ross	21	111
North	**274**	**1270**
East Caithness	77	328
East Sutherland	111	479
North & West Sutherland	34	160
West Inverness	52	303
South	**151**	**746**
Badenoch & Strathspey	60	418
East Inverness	43	170
Nairn & Ardersier	8	32
West Inverness	40	128
West	**270**	**1597**
Lochaber A	54	387
Lochaber B	70	367
North Skye	70	454
South Skye & Lochalsh	50	245
Wester Ross	26	143
Total	**746**	**3996**

In total, NHS Highland provides 3996 hours of care to 746 clients across 15 localities in the HHSCP as at March 2024.

Figure 22 Care at Home Waiting List by Service Type March 2024



There continues to be increasing demand for Care at Home services throughout 2023/24 in NHS Highland as demonstrated by the chart above.

Primary Care

A key focus of our Together We Care strategy is to work together with health and social care partners by delivering care and support that puts our population, families, and carers experience at its heart. Our Primary Care services are central to this, and focus is currently on our local strategic approach to sustainable primary care services within NHS Highland.

There are several challenges in the delivery of services including the need to rebalance our primary and secondary care services to meet the needs of the person as close to home as possible.

There is increasing health and social care complexity and need – due to ageing population and complex comorbidities – and widening social inequalities. In NHS Highland there are rural and island challenges in service delivery and close integration required across the health and care system to deliver whole system, integrated models of care.

NHS Highland will work in partnership with General Practice to develop a joint strategy in 2024/25 and in order to support these activities, work is ongoing to engage a wide range of stakeholders.

Data and intelligence will be pivotal to identify change priorities across Primary Care as part of our design of services across the Highland Health and Social Care Partnership.

In Argyll and Bute, Primary Care services are a key strategic theme with key actions to focus on quality improvement and taking forward the recommendations of a comprehensive Cluster review to improve the effectiveness of working. This is all with the goal to improve access to primary and community care to enable earlier intervention and more care to be delivered in the community.

Some of the key highlights within Primary Care during 2023/24 were:

The Scottish Government Community Eyecare Team, NHS Education for Scotland Digital and National Services Scotland, are supporting the development of the Enhanced Service for Community Glaucoma Service (CGS) across NHS Highland to support safe patient care.

Scottish Government Primary Care Dental Services reform

Implementation of the first stage in reform of NHS Primary Care Dental Services in Scotland was implemented on 1st November 2023. Changes implemented included simplification of systems for dental payments and processes for dentists submitting claims to NHS Practitioner Services Division. Patient charges for some dental patients have increased, as a result of changes implemented. However, the maximum patient charge, for a course of dental treatment has not increased, and many patient groups remain exempt from dental charges. It is expected further stages in the national reform process for Primary Care Dental Services will be communicated to Health Boards, when formally agreed by the Scottish Government.

Dental Workforce

Dentist recruitment /retention is very challenging for NHS Dental Practice and the Health Board Public Dental Services. Access to NHS dental services is limited in some areas, with limited or no access to NHS dental registration, for patients that are not currently registered with an NHS dentist. The main reason given for current lack of dental access for NHS patients in the NHS Highland area, is failure to recruit/retain dentists, which is not only a challenge in the NHS Highland area but a nationwide issue.

Scottish Dental Access Initiative grant funding

Scottish Dental Access Initiative grant funding is currently available from the Scottish Government, for dentists in the NHS Highland area to extend a current NHS dental practice or open a new dental practice, subject to various conditions being met. NHS Highland continue to consider expressions of interest from dentists, planning to increase access to NHS dental services for our communities.

General Dental Practices

Most General Dental Practices provide both NHS and Private dental care, with varying commitment to providing NHS dental services. Financial stability/sustainability of Dental Practices has been identified by individual Dental Practice owners and Corporate Dental Practices. Continuing increases in running costs including staff wages and cost of utilities/dental materials has been identified as a risk to continued sustainability of NHS Highland Dental Practices and nationwide. It is yet to be assessed if introduction of payment reform on 1st November 2023 will result in more financial stability/secure sustainable NHS dental services.

Unfortunately, some Dental Practices have closed, and NHS dental patients have been de-registered. Other Dental Practices have changed their commitment to providing NHS dental services. The NHS Highland Dental Helplines offer up to date information on Dental Practices currently accepting new NHS patients and provide advice/access to emergency dental appointments for unregistered dental patients. This emergency dental service is provided by NHS Highland Public Dental Services.

Oral Health

Some key developments have included:

- Childsmile Programme.
    - following redesign of services due to recruitment challenges. The Childsmile programme has restarted in Lochaber and Skye & Lochalsh areas.
- Childsmile; Sustainability programme Recycle & Smile
    - staff continue to collectused toothbrushes and toothpaste tubes from nurseries and schools which are then recycled by TradeBe. Recycled to fire engine parts, plant pots or children's climbing and play frames.
- Caring for Smiles.
    - online oral health raising awareness training successfully delivered to NHS and health care partner staff including Modern Apprenticeships, NHS Reserves, Care@Home teams and Adult Social Care Fundamental Skills at induction.

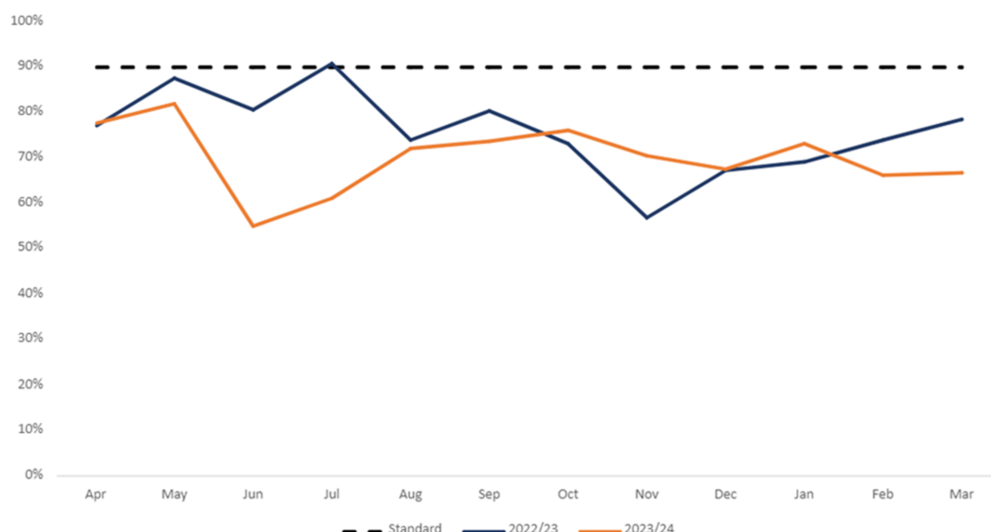
Child and Adolescent Mental Health Services (CAMHS)

The national target for Child and Adolescent Mental Health Services (CAMHS) is that 90% of young people commence specialist CAMHS services within 18 weeks of referral.

NHS Highland performance across 2023/24 averaged 70% and a service improvement plan is underway to develop a sustainable operating model to meet this national target. This includes an assessment of the workforce model required to deliver these services across the vast geographical area.

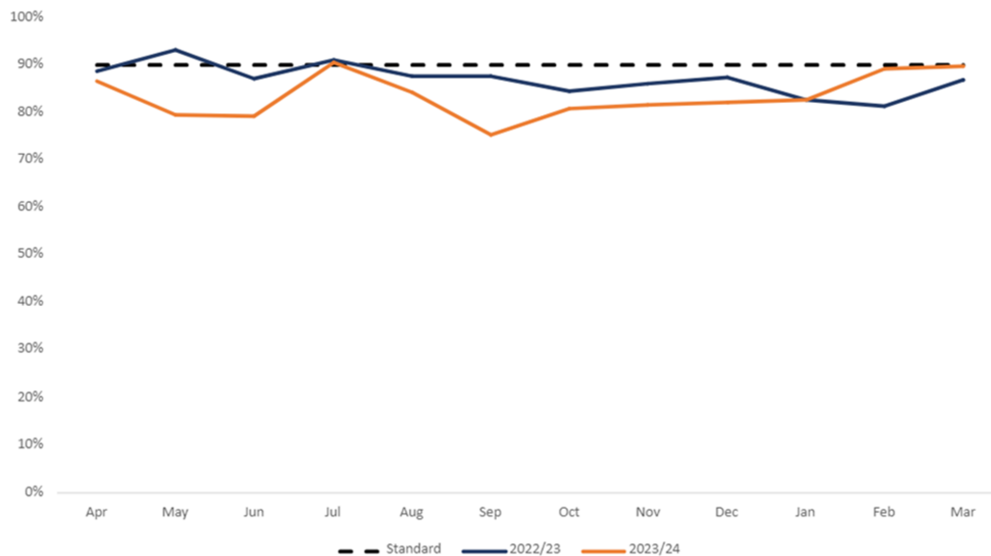
This is a key area of focus for 2024/25 as described in NHS Highland's ADP.

Figure 23 CAMHS – NHS Highland performance against 18 week referral to treatment target



Psychological Therapies

Figure 24 Psychological Therapies – patients treated within 18 weeks of referral



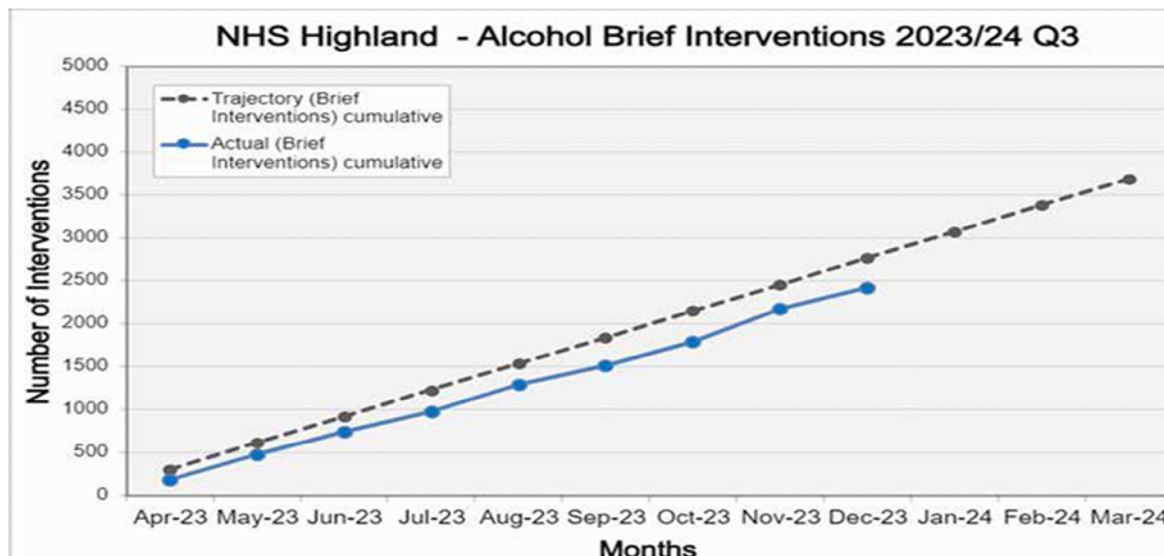
The national target is that 90% of our population begin/start Psychological Therapies (PT) based treatment within 18 weeks of referral. NHS Highland performance is 82.8% at January 2024 which represents an improving position for access to these services.

A plan is in place as part of the "Live Well" priorities outlined in NHS Highland's ADP which will continue the improved performance in this area.

Public Health

A focus of the Public Health team has been to address health inequalities and on the prevention of ill health for the population of Highland and Argyll & Bute. Performance metrics are collected on Alcohol, Smoking Cessation and Vaccination uptake across the board and a summary is provided in the sections below.

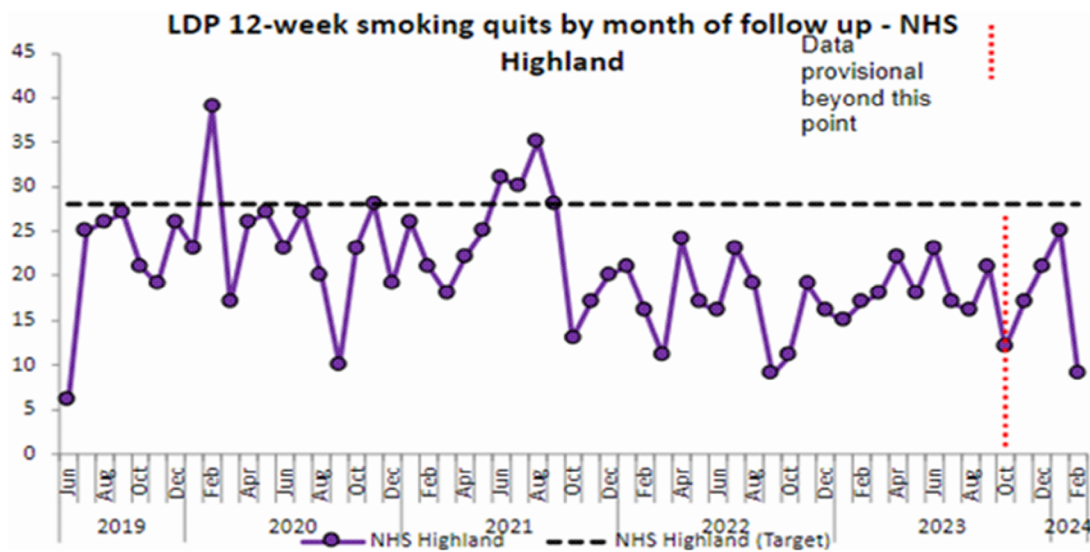
Figure 25 Alcohol Brief Interventions Q4 2023 – 2024



Alcohol is an important factor in the health of the population and Alcohol Brief Interventions (ABIs) are a way to address this. The target for ABI's is to deliver 3688 ABI's in priority settings (Primary Care, A&E and Antenatal) and expand delivery in wider settings (quarterly).

In the latest data available for 2023/24, the number of ABIs were below the trajectory set for NHS Highland.

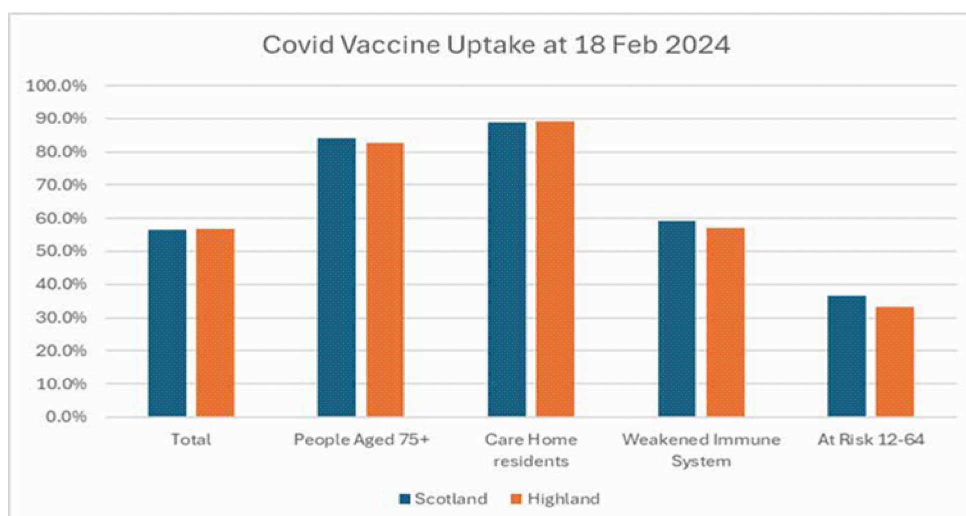
Figure 26 LDP Smoking Cessations by Month Follow Up



The Local Delivery Plan standard requires that NHS Boards sustain and embed successful smoking quits at 12 weeks post quit in the 40 per cent most deprived SIMD areas (60 per cent in the Island Boards).

The national target for smoking cessation has stayed the same for the last five years. As of February 2024, the current target is to deliver 336 successful quits at 12 weeks in the 40% most deprived within board SIMD areas. Of those setting a quit date from 1st April 2023 to 31st October 2023, there were 130 successful quits in the 40% most deprived.

Figure 27 Covid Vaccine Uptake



COVID vaccination winter uptake was slightly higher in NHS Highland compared with the average for Scotland. Total COVID vaccinations uptake in NHS Highland during early 2024 was 52.1% compared to the Scottish Average of 50.2%.

Argyll & Bute Health & Social Care Partnership

Argyll & Bute Integration Joint Board is a separate legal body set up under the Public Bodies (Joint Working) (Scotland) Act 2014 and publishes a separate Performance report which can be found here

2024/25 priorities, approach and objectives

Across Highland, Argyll & Bute, there is a desire to deliver excellent health outcomes for the population so that they always feel safe, cared for and listened to. NHS Highland wish to develop our workforce to attract, retain and develop passionate and talented people, creating an environment where they can thrive. However, within NHS Highland, we also recognise that public finances across Scotland and within the NHS are extremely challenging but that must not compromise the commitment to our people and patients.

The board's Annual Delivery Plan and Financial Plan for 2024/25 was submitted to Scottish Government, outlining our priorities and approach for the financial year, aligned to our medium-term priorities. This was linked to the strategic objectives of our 5-year strategy, Together We Care and aligned to the 15 NHS Scotland recovery drivers.

Each section in our ADP sets out the strategic context in which we are working along with the problem statement and an overview of the alignment to the financial plan. Each well area has deliverables which will be met in 24/25 and a medium-term plan.

The ADP Medium Term Plan (MTP) has been accompanied by a Financial Plan also submitted to Scottish Government, based on criteria within Scottish Government budget letter of 19 December 2023 including the confirmation of 0% uplift and the cessation of all major capital programmes without a contractual commitment.

Overview of the Financial Plan

For 2024/2025 the draft opening position for NHS Highland is a deficit position of £112.491m. The maximum brokerage that NHS Highland can request for the year 2024/2025 has been capped at £28.4m, leaving a financial gap of £84.091m.

In order to achieve this, NHS Highland has set out its Change Framework for 2024/25 which explains how we will enable change, problem statements, key objectives, outcomes and priorities over the next three years, with a greater level of detail for the next 12 month period, along with an understanding of alignment to policy.

Value and Efficiency

The Board has established a Value and Efficiency programme which has an overall target of delivering 3% financial reductions on a recurring basis in line with the requirement set out by Scottish Government. A series of workstreams have been identified to deliver NHS Highland's priority actions for 2024/25 that will contribute to achieving financial efficiency for NHS Highland whilst maintaining the delivery of safe high-quality, person-centred care.

The workstreams have been identified through engagement with the organisation, with Senior Leadership appointed to drive these key areas through to delivery. Each of the workstreams has an appointed lead and a project implementation plan has been developed to support each action.

In order to deliver the 3% efficiency, we are working across all areas of the organisation to improve our process, streamline, eliminate waste and maximise our income. The actions agreed to date have the potential if delivered in full to achieve £21.7m of reductions. These actions have also been cross referenced against the actions in the 15 box grid opportunities shared by Scottish Government.

Financial flexibility:

There is level of non-recurrent benefit that occurs each year, either through slippage against allocations or through adjustment in annual balance sheet items. These are fortuitous but can be estimated from historic information. An estimated level of financial flexibility has been included within the plan.

Adult Social Care:

Due to the lead agency arrangement in place for delivering Adult Social Care Services within the NHS Highland area which is coterminous with Highland Council the costs of delivering services and the associated income from Highland Council are reflected in this financial plan submission.

It is estimated that there will be a gap of £23.252m between the estimated cost and available funding. This includes a plan by Highland Council to reduce their quantum allocation by £7.000m in 2024/25 with further reductions over the following 2 years.

Argyll & Bute HSCP:

The Argyll & Bute 2024-27 budget was presented at the March IJB meeting. The report set out an unbalanced budget, with an opening gap of £8.553m. Savings plans and reserves have been identified to deliver a planned balanced budget for 2024-25.

Closing the gap

The expectation from SG is for all Boards to deliver their statutory break-even duty, with those Boards in financial escalation level 2 or 3 receiving a maximum brokerage limit to aid delivery.

Scottish Government requested that a suite of "choices" should be included which would require approval to progress.

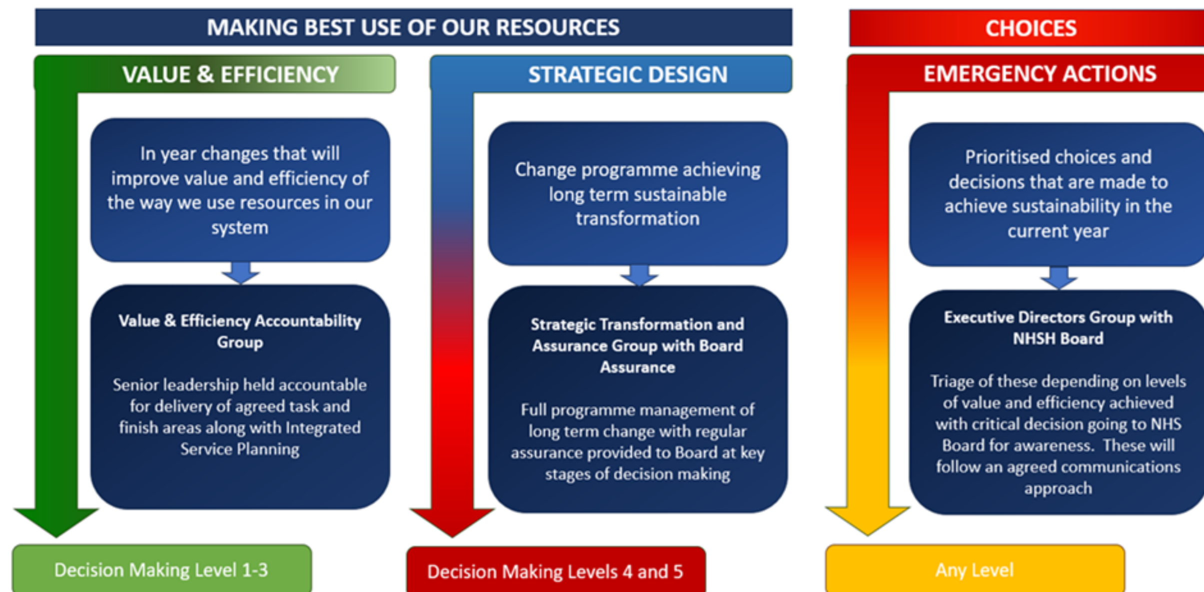
The Executive Team has agreed to progressing a Strategic Assessment of services to support longer term sustainability and a has provisionally set an indicative value of £5m for 24/25 through a reduction in reliance on supplementary staffing. These projections are full year values and will be further reduced if progresses and implemented further into the financial year.

The remaining actions to be taken are considered to be emergency, crisis actions which are solely intended to reduce costs and will have a significant impact on service delivery, the quality of services we provide and our performance against targets and are not supported as "choices" to be taken but presented as necessary actions to deliver a financial position.

Decision Making Framework

Given the scale of the challenge facing NHS Highland, the Board will implement the following strategic planning and decision-making framework in order to plan for and deliver the short, medium and long term changes required to support a route to financial and service sustainability.

The above is in line with the framework of authorisation set out and agreed between Board Chief Executives and Scottish Government. Given the scale of the longer-term financial challenge the cost improvement/ reduction plan will be a live document which will be updated regularly and remain under development with further work being progressed. A governance framework has been designed around the whole programme of work.



The Finance plan submitted to Scottish Government complied with the requirement to produce a plan that set out the actions needed to deliver a balanced position and was clear that the further actions needed were not agreed or supported. Work will continue throughout the year with Scottish Government to identify opportunities to move towards a balanced budget.

NHS Highland

Financial Performance

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

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

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

	Limit as set by SGHSCD £'000	*Actual Outturn £'000*	*(Variance Deficit) / Surplus £'000*
Core Revenue Resource Limit	1,012,736	1,012,473	264
Non-core Revenue Resource Limit	32,035	32,032	3
Total	**1,044,771**	**1,044,504**	**267**
Core Capital Resource Limit	31,235	31,230	5
Non-core Capital Resource Limit	310	310	0
Total Capital Resource Limits	**31,545**	**31,540**	**5**

Cash Requirement

MEMORANDUM FOR IN YEAR OUTTURN	**£'000**
Core Revenue Resource Variance (Deficit)/ Surplus in 2023/2024	264
Underlying Surplus against Core Revenue Resource Limit	
Percentage	0.03%

The financial plan submitted to Scottish Government for the 2023/2024 financial year had an initial financial gap of £98.172m. A cost improvement programme of £29.500m was developed which left an unfunded element of £68.672m.

Difficulties experienced during 2022/2023 in respect of recruitment challenges and increased demand for services continued into 2023/2024 alongside the associated cost pressures with supplementary staffing costs being a particular driver. In addition, there were pressures relating to drug costs - due to the quantity and cost of drugs being higher than anticipated – and energy cost increases beyond inflation.

In addition to emerging cost pressures delivery against the cost improvement programme was limited with £13.572m being delivered in year (£8.113m recurring/ £5.459m non-recurring).

Due to the financial pressures for 2023/2024 NHS Highland was notified that tailored support would be provided by the Scottish Government Health Finance team. This was based on four key stages of Diagnosis; Planning; Delivery and Implementation. This support has enabled the Board to place greater focus and scrutiny on the financial position which has been

monitored through monthly Finance, Resource and Performance Committee meetings (increased from bi-monthly) and has been driven by the Efficiency & Transformation Group. Quarterly monitoring has been in place with Scottish Government and NHS Highland has engaged fully in all national initiatives to improve financial efficiency through the national Finance Improvement Group.

The following table reconciles the Board's opening position to the yearend outturn position in relation to core revenue resource.

	£m	£m
Financial Plan submission to Scottish Government - initial gap		**98.172**
Cost Reductions/ Cost Improvements achieved in year		13.572
Additional Funding		
Sustainability funding - June 2023	8.030	
ASC Pay Award - June 2023	3.883	
New Medicines Fund - June 2023	6.590	
Supplementary Pay	6.088	
Return of 2022/2023 Year End Surplus - March 2024	0.383	
Health Consequentials/ Sustainability Funding - March 2024	9.885	
		34.859
Reduction in top slices for national costs		0.390
Financial Flexibility		2.050
Short term cost reductions & allocation slippage		18.065
Brokerage		29.500
Year End Outturn - Surplus		**0.264**

In order to achieve in year financial balance Scottish Government has provided financial support, by means of repayable brokerage, of £29.500m. A surplus of £0.264m is reported in 2023/2024 reflecting this financial support.

Argyll and Bute IJB:

Argyll & Bute HSCP reported a year end underspend of £2.8m in 23/24. The HSCP continued to make progress on the delivery of the savings programme and has taken a financial benefit as a result of ongoing staff vacancies. Whilst a number of factors have contributed to the financial position, the HSCP benefitted from additional Scottish Government funding allocations totalling £0.7m, £0.5m was due to lower than anticipated service demand including those services provided by NHS Greater Glasgow & Clyde, drug switches and increased drug rebates gave a combined benefit of £0.3m, and slippage on project timelines resulted in a lower spend against of £1.2m held in reserves. The underspend will be carried forward in the IJB General Reserve.

Highland Health & Social Care Partnership:

Highland Health & Social Care Partnership reported an overspend of £10.634m. Significant additional costs have been incurred in respect of locums and agency nursing cover – these have in part been mitigated by vacancies. A pressure has also emerged within prescribing with the number of prescriptions made and the costs of drugs prescribed both increasing. These areas together with a lower delivery against the cost reduction plan have driven the overspend position.

Adult Social Care is reported within the Highland Health & Social Care Partnership as a delegated function from The Highland Council. Although the service has reported a break-even position in the year, this has been through the use of reserves generated in previous years and additional Scottish Government funding. A significant financial pressure has been identified for 2024/2025 and NHS Highland and The Highland Council are working together to develop plans to close the identified funding gap.

Acute:

Acute Services reported a full year overspend of £20.258m with the most significant driver being additional premium cost staffing to cover vacancies and ongoing service delivery pressures. Prescribing costs have also impacted on the service's ability to deliver a balanced financial position with the reduced delivery of cost reductions also contributing.

Bad Debt:

Bad debt provision of £2.076m this year (prior year £1.847m) is based on all non-government debt outstanding greater than one year old, except for Road Traffic Accident (RTA) reclaims. Bad debt of 24.86% of total net outstanding value of RTA income has been provided for based on historic patterns of recovery (as per Government guidance).

Capital:

Capital funding of £31.545m was received for capital works and purchases during 2023/2024 this was utilised in full for the year. The main areas of spend were works at Grantown Health Centre, improvements within Raigmore Maternity and refurbishment of the car park at Raigmore Hospital. In addition there was preliminary spend on the Belford and Caithness redesign projects – both of these projects are now paused following a reduction in available capital funding.

A full schedule of expenditure is reflected below:

Plan £000's	Summary Funding & Expenditure	Actual to Date £000
	Project Specific Schemes	
880	Radiotherapy Equipment	880
500	NTC (H)	944
2,400	Belford Hospital replacement	2,137
2,457	Caithness redesign project	2,939
2,851	Grantown HC upgrade	2,851
2,820	Broadford HC extension	0
360	ACT Accommodation	360
	Other Centrally Provided Capital Funding	
2,650	Raigmore Maternity capacity	2,092
60	Cowal Community Hospital GP relocation	(2)
1,350	Raigmore car park project	3,252
500	Laundry Water Filtration Equip	636
50	Raigmore oncology unit	0
860	EV charging points - NHSH wide	508
1,250	Backlog maintenance additional funding	1,180
783	National Infrastructure Equipment Funding (NIB)	0
-	Greenspace Raigmore Gardens	
5	NSD Capital Allocation	
19,776		**17,778**
	Formula Allocation	
827	PFI Lifecycle Costs	853
2,010	Equipment Purchase Advisory Group (EPAG)	2,814
2,350	Estates Capital Allocation	3,586
1,500	eHealth Capital Allocation	1,714
260	Minor Capital Group	0
	Other	(22)
6,947		**8,945**
26,723	**Capital Expenditure**	**26,723**

*The above table excludes Right of Use Assets of £4.512m & non-core capital funding for GP sustainability loans and donated assets of £0.310m.

Going Concern

The accounts are prepared on a going concern basis, which provides that the NHS Board will continue in operational existence for the foreseeable future. NHS Highland has not been informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity.

Public Finance Initiative/Public Private Partnerships

Provision of Easter Ross Primary Care Resource Centre
Start date February 2005 ending January 2030.

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

Provision of New Craigs Hospital
Start date July 2000 ending June 2025.

This scheme is a replacement for the Craig Dunain Hospital, Inverness, and provides in Patients' facilities for adults with Mental Health needs or Learning Disabilities. There is a 25 year contract with an estimated capital value of £14.4 million. We have entered the expiry phase of the contract and the decision has been taken to buy the hospital. The handover process has started.

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

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

Provision of Tain Health Centre

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

Payment Policy

NHS Highland is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days across all public bodies.
The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

	2022/23	2023/24
Average period of credit taken	11 days	12 days
Percentage of invoices paid within 30 days:		
- by volume	93.33%	90.87%
- by value	94.18%	90.63%
Percentage of invoices paid within 10 days:		
- by volume	77.68%	74.88%
- by value	76.53%	76.79%

The drop in payment performance compared to the prior year, reflects a change in the purchase to pay process during the year and the process being impacted by wider system pressures within the board.

Pension Asset / Liabilities

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

Statement of Best Value

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

Social Matters

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

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

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

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

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

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

NHS Highland Equality Outcomes and Mainstreaming Progress Report 2025-2029

In 2024, NHS Highland will begin planning for the next Equality Outcomes and Mainstreaming Report (2025-2029). This report will support the equality and diversity planning and mainstreaming in a more integrated way than before, taking account of the Annual Delivery Plan and Together We Care Strategy, and a new Diversity and Inclusion Strategy, which will be developed.

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

NHS Highland has a zero tolerance for fraud, bribery or corruption. Staff are updated regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness training has been created on TURAS by CFS and is available to all staff. The Chair of NHS Highland's Audit Committee acts as the organisation's Counter Fraud Champion.

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

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

Sustainability and Environmental Reporting

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

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

NHS Highland has formed an Energy, Environment & Sustainability Team that reports to the Estates, Facilities and Capital Planning Directorate. The board has also formed an Environment & Sustainability Board, which is chaired by the Director of Estates, Facilities & Capital planning to review progress the organisation is making towards achieving the key environmental targets set by the Scottish Government. To support the boards progress, the Energy, Environment and Sustainability team will look at innovative ways to make the organisation operate in a more sustainable manner with a key aim to reduce Carbon emissions to Net Carbon Zero across the region. Examples of areas that the team have identified that there needs to be a key focus on are;

- Decarbonisation of Heat and Power - 86% of NHS Highlands Carbon emissions are from the heating and powering of buildings. The Energy, Environment & Sustainability

Team will be looking to strategise plans for each site and put together business cases ready for implementation when funding streams are available.

- Waste & resource Management - NHS Highland needs to reduce wastage from buildings with a circular economy approach toward materials that are being disposed of from our site. By implementing different waste streams and identifying differing ways where we can re-use and recycle, it is anticipated that there will be a reduction in wastage, expense and carbon emitted.

- Fleet Electric Vehicle (EV) Migration - NHS Highland has been (where appropriate) migrating fleet vehicles from fossil fuel to EV for about 8 years. As part of this migration, there has been EV infrastructure upgrades at sites to support the influx of EV's required to support the business need. The improvements to infrastructure are ongoing to help the migration to fleet EV's.

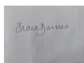
- Active Travel - NHS Highland are looking to facilitate methods of travel that can be implemented to reduce the carbon emissions generated by patients, staff and visitors travelling to NHS Highland buildings. This includes improving public transport routes to sites, implementation of cycle to work schemes and identifying routes that can be walked to work rather than using a vehicle.

- Green Theatre Programme - NHS Highland is supporting the national Green Theatre programme and is trying to find ways to implement the items that have been advised as viable by the national Green Theatre Team. By successfully implementing many of the items identified, it is anticipated that there will be substantial energy and carbon saving made with the department operating more sustainably.

- Green Spaces & Biodiversity - NHS Highland has a Green Spaces & biodiversity group that is looking to harness the available green space and improve biodiversity across the region. This requires a different approach to green space and grassland management which the Energy, Environment & Sustainability team will be assisting colleagues across the region to develop. There has been discussions around the use of nature and green spaces as areas where medical professionals will be able to appropriately treat patients and for outdoors spaces that can be used by building users as a get away from their normal area of work.

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

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



Chief Executive and Accountable Officer

B - THE ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

(a) The Directors Report

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

Date of Issue

Financial statements were approved by the Board and authorised for issue by the Accountable Officer on 28 June 2024.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2023/24 the Auditor General appointed Audit Scotland to undertake the audit of NHS Highland. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

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

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

Chair	Sarah Compton Bishop	
Executive Directors	Pam Dudek Boyd Peters Louise Bussell Heledd Cooper Tim Allison	Chief Executive Board Medical Director Nurse Director Director of Finance Director of Public Health
Non-Executive Directors	Alexander Anderson	Chair Finance, Resources & Performance Committee
	Graham Bell	Vice Chair Argyll and Bute Integration Joint Board
	Alasdair Christie	Chair Clinical Governance Committee
	Ann Clark	Board Vice Chair, Chair Remuneration Committee, Chair Staff Governance Committee
	Albert Donald	Nationally appointed Whistleblowing Champion
	Karen Leach	

	Philip Macrae	
	Joanne McCoy	
	Gerard O'Brien	Chair Health and Social Care Committee
	Susan Ringwood	
	Gaener Rodger	Chair of Audit Committee
	Emily Woolard	
	Steve Walsh	
Stakeholder Members	Garret Corner	Argyll and Bute Council
	Muriel Cockburn	The Highland Council
	Catriona Sinclair	Area Clinical Forum Chair
	Elspeth Caithness	Employee Director

The Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2024 and of its operating costs for the year then ended. In preparing these accounts, the Directors are required to:

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

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

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

Board Members' and Senior Managers' Interests

In line with statutory requirements, the Board maintains a register of Board Members' interests which is available online on our Internet site and is updated annually.
During the year, several current Directors/Senior Employees indicated interests in contracts or potential contractors with the Health Board work. These were:

Alexander Anderson	Scrabster Harbour Trust Board
Tim Allison	ARMA Inequalities Panel
Graham Bell	Director - The Leader Scotland Community Justice Scotland Cove Burgh Hall
Jean Boardman	Member of Argyll and Bute Integration Joint Board
Elspeth Caithness	Royal College of Nursing Trade Union
Alasdair Christie	Inverness, Badenoch, and Strathspey Citizen's Advice Bureau, Elected Member of The Highland Council
Ann Clark	Elsie Normington Foundation member
Muriel Cockburn	Elected Member of The Highland Council, Holiday Lodge, Grantown on Spey Caravan Park
Sarah Compton-Bishop	The Highlands and Islands Transport Partnership (HITRANS) Isle of Jura Development Trust Jura Care Centre Group
Garret Corner	Elected Member of Argyll and Bute Council
Albert Donald	Scottish Professional Football League Scottish Football Association NHS Grampian Non-Executive Director, Whistleblowing Champion
Pam Dudek	Redtwo591 Ltd
Philip MacRae	Royal Bank of Scotland
Joanne McCoy	LGOWIT The Reel McCoy, quilting and textiles art MS Society Scotland
Gerard O'Brien	Voluntary Action Orkney, Trustee THAW Orkney
Boyd Peters	Cairngorm Mountain Rescue Team
Gaener Rodger	Cairngorms National Park Authority Board member, Member Girlguiding Scotland and Girlguiding UK
Catriona Sinclair	Director Spa Pharmacare Ltd. Director Community Pharmacy Scotland, Board member Royal Pharmaceutical Society Scottish Pharmacy Board Director CPS services Edinburgh
Steve Walsh	Highlife Highland Ltd

All Board Members are Highland Health Board Endowment Fund Trustees.

Directors third party indemnity provisions

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

Remuneration for non-audit work

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

Value of Land

The value of land (excluding land that has been declared surplus to requirements) recorded

in our SoFP is at current value. Surplus land has been valued at Open Market Value.

Public Services Reform (Scotland) Act 2010

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

Personal data related incidents reported to the Information Commissioner

During the period 1 April 2023 to 31 March 2024 NHS Highland has reported five data related incidents or data breaches to the Information Commissioner's Office (ICO) with no further action being taken for four of these incidents and the fifth is still under investigation. This is a decrease from eight incidents reported to the ICO during the 2022/23 financial year. It should be noted that two of the incidents reported involved data incidents at suppliers to NHS Highland and, while the suppliers self-reported these incidents, NHS Highland also reported these matters in compliance with our obligations as Data Controller.

In March 2023, NHS Highland received a formal reprimand from the ICO for a data breach that occurred in June 2019. Details of this reprimand can be found HERE.

Disclosure of Information to Auditors

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

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

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

This designation carries with it, responsibility for:

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

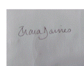
In preparing the Accounts, I am required to comply with the requirements of the Government's Financial Reporting Manual and, in particular, to:

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated to me in the Departmental Accountable Officers letter dated 7 March 2024.

Signed:



Chief Executive and Accountable Officer

28th June 2024

C - THE GOVERNANCE STATEMENT

Scope of Responsibility

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

I took responsibility for governance when I was appointed Accountable Officer by Scottish Government on 7 March 2024. Due to my previous role as Chief Officer I have attended NHS Highland Board meetings and Audit Committees and as such am assured that the system of internal control is adequate and effective throughout the financial year.

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

Purpose of Internal Control

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

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

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

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

Governance Framework

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

The NHS Board's work is linked with that of the Argyll & Bute Integration Joint Board which is a separate legal body set up under the Public Bodies (Joint Working) (Scotland) Act

2014 which aims to better integrate Health and Social Care services. The planning, commissioning, and oversight of a range of health services and adult social care are delegated by the Board and the Local Authority to the Integration Joint Board.

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

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

NHS Highland Board meets every two months to progress its business. All Board meetings are held in public with Board papers and agendas being published on our website. When an item of business is commercially sensitive, that item will be discussed in private session. Public accessibility to Board meetings has been maintained throughout 2023-2024 with access for stakeholders and public through MS Teams.

The Board also holds Briefing Sessions ten times per year to update Board members on current hot topics, horizon scan, and engage the Board in the strategic direction of the organisation. Up to two sessions are held per year focussing on Board members' development needs to improve skills and knowledge across the Board.

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

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

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

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

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

Remuneration - To consider and agree performance objectives and performance appraisals for staff in the Executive cohort and to oversee performance arrangements for

designated senior managers. The Committee will be responsible for applying the remit detailed in NHS: MEL (2000) 25, NHS HDL (2002) 64 and subsequent guidance.

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

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

HIGHLAND HEALTH BOARD

Membership of committees as at January 2024 is reflected below:

	HHSCC	HHSCP JMC	ARGYLL AND BUTE IJB	AUDIT	FINANCE RESOURCES PERFORMANCE	CLINICAL GOV	STAFF GOV	REM COMM	PHARMACY PRACTICES	ENDOWMENTS COMMITTEE
Alex Anderson		✓		✓	✓ Chair					
Graham Bell			✓ Vice chair/ Chair from April 2023		✓ V Chair					
Elspeth Caithness							✓	✓		✓
Alasdair Christie				✓		✓ Chair				✓
Ann Clark	✓	✓			✓		✓ Chair	✓ Chair	✓ Chair	
Muriel Cockburn	✓					✓				
Sarah Compton-Bishop		✓ Co-Chair						✓		
Garret Corner				✓	✓					
Bert Donald							✓	✓ V Chair		
Karen Leach			✓							
Philip MacRae	✓ V Chair						✓ V Chair			✓ Chair
Joanne McCoy	✓					✓ V Chair			✓	✓
Gerry O'Brien	✓ Chair	✓			✓			✓		
Susan Ringwood			✓	VChair					✓	
Gaener Rodger				✓ Chair		✓			✓	✓
Catriona Sinclair						✓				
Steve Walsh							✓			
Emily Woolard			✓							

Blueprint for Good Governance

Work was ongoing throughout the year to improve Board effectiveness. The Board participated in a pathfinder exercise to establish a national approach to self-assessment against the Blueprint for Good Governance, issued in DL (2022) 38 in December 2022. The pathfinder exercise included a thorough Board-level self-assessment survey against the Blueprint functions, and a series of Board development sessions culminating in the agreement of the Board's Improvement Plan in July 2023. The Improvement Plan has been a key element of implementing the expectations of the Blueprint for Good Governance.

The Improvement Plan themes are performance, finance and best value, risk, culture, quality, Board member development, SBAR development and engagement.

The primary implementation phase of the Improvement Plan spans from July 2023 to July 2024, and some actions will be ongoing beyond this timescale. The Improvement Plan's key themes are: Performance, Finance and Best Value, Risk, Culture, Quality, Board Members development, SBAR development, and Engagement. The Improvement Plan's progress sits within a robust framework of control to ensure that its actions and objectives can be achieved, and significant progress has been evidenced against all 17 actions contained within it.

Other related pieces of work are as follows:

- Committee self-evaluations were reintroduced in November/December 2023 with development session discussions held to consider each committee's findings.
- The Board has successfully implemented a co-produced planning cycle framework for the 2023/24 financial year. In March 2024 annual workplans were approved for Board and governance committee business and had previously been closely scrutinized by the Board and Committee Chairs. Workplans consider all the key plans/strategy documents/annual and other reports required for submission to Scottish Government, with indication of timing/governance committee/executive leads etc.
- Board and Committee Chairs meetings have taken place throughout the financial year. Potential Committee agenda items are considered and scheduled as appropriate. The Group maintains oversight of Governance Committee remits and priorities.
- Weekly meetings are held between the Chief Executive, Chair and Vice Chair.

In addition to the timetabled activities described above, ongoing consideration is being given to the effectiveness of governance arrangements by the Executive team, Board Chair, Vice Chair and Committee Chairs. Recognising increasing pressures on the organisation and staff, and the need to scrutinise large quantities of information, the concept of 'Frugal Governance' offers an approach which supports the reduction of time spent in governance meetings while improving their effectiveness. Further research continues to be carried out to identify which elements of frugal governance can be applied to enable delivery of our Governance Improvement Plan and uphold the standards as described in the Blueprint for Good Governance.

Other Governance Arrangements

NHS Highland's Governance Framework operates under a Code of Corporate Governance which was revised throughout the financial year and approved by the Board in March 2024. The Code includes the following documents:

- NHS Highland Board Committee Structure
- Standing Orders for NHS Highland Board
- Governance Committee Terms of Reference

- Code of Conduct for Board Members
- Standing Financial Instructions
- Reservation of Powers and Scheme of Delegation
- Counter Fraud Policy and Action Plan
- Standards of Business Conduct for Staff

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

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

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

Our Annual Review took place with Jenni Minto, Minister for Public Health and Women’s Health and John Burns, Chief Operating Officer, NHS Scotland on 29 September 2023. This was a very positive event at which it was acknowledged that NHS Highland continued to face a significantly challenging period. The Board’s ongoing efforts to ensure resilience were recognised.

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

The Board and governance committees have continued to maintain oversight of the organisation’s performance through the bi-monthly Integrated Performance and Quality Report, visible throughout the leadership structure as a high-level overview of the performance of our system of health and care. Reporting on aspects of clinical, operational, financial and staff governance, the report ensures a holistic view of the organisation which is overseen by the Board’s Governance Committees.

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

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

The Board seeks to promote good governance throughout its joint working with a wide range of organisations: local authorities, third sector and other organisations both within and

external to the NHS, through the Highland and Argyll & Bute Community Planning Partnerships.

Escalation Status

NHS Highland is currently sitting at Stage 2 of the NHS Performance Escalation Framework in respect of Governance, Leadership and Culture, and vaccinations. Scottish Government continue to monitor and support the Board as longer-term cultural changes become embedded in the organisation.

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

Leadership

Sarah Compton Bishop was appointed to the position of NHS Highland Chair with effect from 1 April 2023. Ms Compton Bishop had served on the Board since November 2017 as a Non-Executive Board member and so the Board benefited from her expertise, experience, and leadership as she moved into her new role as Chair.

We have recruited three new Non-Executive Board Directors during the year. These appointments were to fill two Non-Executive vacancies that occurred during the year, and one that will occur within financial year 2024-25.

We have been successful in recruiting to our key Executive posts during financial year 2023-24. This included Director of People and Culture, Chief Officer for Community and Director of Estates, Facilities and Capital Planning. We have therefore maintained a stable Executive leadership team delivering on our transformation agenda and role modelling the culture and behaviours we wish to see across the organisation.

Culture

During the 2023/2024 financial year, NHS Highland has continued with a strong focus on transforming culture. Our commitments are embedded into the 'People' objectives of the 'Together We Care' strategy and our Annual Delivery Plan.

Under our four strategic 'People' intentions of 'Grow Well', 'Nurture Well', 'Listen Well' and 'Plan Well', we have made several significant steps forward to achieve our Objective 'To be a great place to work'. We set ourselves ambitious targets in all aspects of our strategy. We have established the People and Culture Portfolio Board which oversees the strategic programmes to support the objectives. In September 2023 we approved a refreshed approach to our leadership and culture programme with oversight and governance through the Cultural Oversight Group. A framework was agreed to build on previous development of leadership capability to ensure behaviours are consistent with the values of the organisation. This work was progressed jointly with the Area Partnership Forum and linked directly to the Workforce Plan, Annual Delivery Plan, and Staff Governance Standards. The Staff Governance Committee has a clear overview of cultural change being delivered through performance management, staff governance standards and existing staff governance arrangements, and the organisational performance framework. We have also established the People and Culture Oversight Board.

In our fourth year of working with our Independent Speak Up Guardian service, approx. 200 colleagues this year were provided with vital confidential support. This is an essential part

of understanding our colleagues' experiences, offering alternative routes for listening and being able to resolve issues and rebuild trust and confidence.

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

We've also supported a further 17 senior managers through the NEBOSH accredited HSE leadership training to ensure our colleagues and patients are kept safe.

We've continued to promote the Whistleblowing Standards and have worked with the Independent National Whistleblowing Officer. We actively promote the Standards through our internal communications, with visits undertaken arranged around the Board area by our Non-Executive Whistleblowing Champion. Our annual Whistleblowing report was considered by our Staff Governance Committee and Board.

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

We have been developing our 3-year Wellbeing Strategy which will be launched during the next year which details our commitment to supporting colleagues' physical and mental health and wellbeing through all the stages of their career with NHS Highland and to foster an inclusive and kind culture where difference is valued and respected.

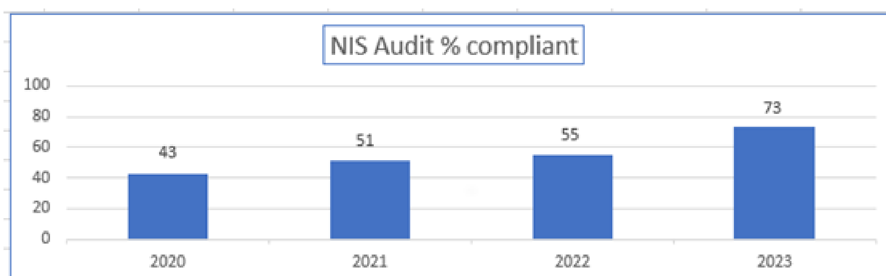
Information Governance and Security

Responsibility for oversight of information governance within NHS Highland lies primarily with the Information Assurance Group. The Information Assurance Group meets on a quarterly basis and is chaired by the Deputy Chief Executive/SIRO who also represents information governance and information security at board level. The composition of the Information Assurance Group membership ensures that Information Governance, Information Security and Data Protection matters are considered from diverse organisational viewpoints. To ensure appropriate governance, bi-annual reports are provided by the Information Assurance Group to both the Clinical Governance Committee and the Audit Committee. Additional quarterly updates on cyber resilience are provided to the Resilience Committee.

Being classified as an operator of an essential service, NHS Highland is subject to the Network and Information Systems (NIS) regulations. Compliance to the NIS regulations is monitored by the Scottish Government appointed regulator, the Scottish Health Competent Authority (SHCA). The SHCA commissions annual audit assessments to be conducted by an independent external auditor against all NHS Scotland Health Boards. The NIS audit uses the Scottish Government's Public Sector Cyber Resilience Framework as the control set with which to measure compliance to the NIS regulations. The Scottish Government also sets NIS compliance standards for the 2023 audit that NHS Scotland Health Boards are

expected to meet. The standards include an expectation that Boards achieve an overall NIS compliance score of at least 60%.

The NIS audit conducted in 2023 resulted in NHS Highland achieving an overall compliance score of 73%. As shown below, NHS Highland continues to show year on year improvements in its compliance with the control set defined in the Public Sector Cyber resilience Framework.



While improvements in NHS Highlands digital security helps to protect information from inappropriate disclosure, there are circumstances where the sharing of confidential and personally identifiable information is necessary. In response to a recommendation from the 2022 ICO audit, NHS Highland has conducted a significant piece of work to implement more robust processes to manage Information Sharing arrangements. This provides a greater degree of assurance that data sharing is conducted in compliance with Data Protection and other applicable legislation.

Assessing Risk

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

The Board agreed its risk appetite statement in November 2023. It has developed an interim strategy and policy for risk management. The workplan for 2024 is as follows:

- Review of risk assessment processes across each division to ensure consistency of approach
- A NHS Highland specific risk management e-learning training module is being developed to provide staff with a narrated and animated video on risk management. A newsletter and risk management Intranet site will be rolled out in-line with updated risk management software to be used across the board.

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

Risk Management

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

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

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

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

Financial Plan 2024-25

NHS Boards were required to submit a 3-year financial plan for the period 2024/2025 – 2026/2027 with an initial focus on 2024/2025. The financial plan has yet to be approved by Scottish Government.

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:

- Regular interaction and discussion with executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their respective areas.
- Reviewing any reports received from relevant inspection bodies.
- The work of the internal auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement;
- The work of the external auditors, including their independent and objective opinion on the audit of the annual report and accounts and their review of key financial systems and controls
- Financial plans, service plans and related organisational performance reports presented to the Board and relevant governance committees;

- Annual reports and statements of assurance prepared by each of the Board's governance committees, along with the results of a self-assessment exercise undertaken by committee members.
- The range of topics explored at Board Development Sessions and other fora, enhancing the knowledge, awareness, and engagement of both executive and non-executive board members on strategic matters.
- The thorough and comprehensive approach to risk management, reviewed and agreed by the Board.
- The depth and range of items discussed by governance committees and other groups in support of the Board and its agreed strategies and Corporate Objectives.
- Assurance from the External Auditor of the Highland Health Board Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment Funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- The National Service Audit Reports which report on the effectiveness of the following systems of control managed on the Board's behalf:
    - National Single Instance Financial Ledger Services (NHS Ayrshire & Arran)
    - National IT Services (NHS National Services Scotland)
    - Practitioner and Counter Fraud Services (NHS National Services Scotland)

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

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

The committee has reviewed the progress of 115 actions during the course of the year and obtained sufficient evidence to close 89 (77%) of these. Of the 26 remaining actions, 25 (96%) are being progressed in line with revised completion dates and one (4%) is not yet due.

For 2023/24 the Audit Committee agreed a wide range of areas to review, and together with management, identified the areas where there were known issues and using the expertise of the internal audit recommendations to design the updated control environment. Audit Committee also requested the key themes to be drawn out of these audits. These are the areas covered by internal audit review for 2023/24:

1. Property Transactions monitoring
2. Communications
3. Strategic and Financial Planning Integration
4. Patient Property and Funds
5. People Management (processes for raising concerns)
6. Service Redesign – National Treatment Centre
7. Primary care services

8. Data framework
9. Vacancy Management and monitoring
10. Younger Adults Complex care packages
11. Adult Social Care

In 23/24 Internal Audit gave the opinion that "NHS Highland has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives, except in relation to the processes for Multi-Disciplinary Planning for Discharge Across Community and Acute Services and Care at Home."

The audits identified no very high risk exposures however they did identify eighteen high risk exposures across five of the audits undertaken. Sixteen of which were within the three audits covering Primary Care services, Adult Social Care services and Younger Adults Complex Care Packages. High risk reflects an absence/ failure of key controls that create significant risk within the organisation.

Within the three high risk audits the key themes highlighted were:

- Limited documentation relating to processes
- Lack of consistency of awareness of processes
- Limited reporting on the performance of contracts
- Lack of capacity of teams

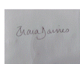
The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year. The strength of this is that NHS Highland is already addressing these risks, has plans in place and is addressing key actions at pace. We are strengthening our risk management systems, engaging with our Board and sub-committees to test our risk environment. In addition, work continues with our workforce planning, which is a key risk in all Health and Care organisations, embedding and continually improving our decision-making processes. Having assessed the high-risk areas identified by the internal audit reports, it is recognised that these are internal risks to the operation, but that this needs to be balanced against the materiality of impact to the organisation should the risk materialise which reflects the areas of improvement being focussed on.

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

Conclusion

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

Due to the range of assurance given and the nature of the internal audit reviews I am able to conclude that taking account of the above statement and the assurances received from the Board's Committees that corporate governance was operating effectively throughout the financial year to 31st March 2024.

Signed: 

Chief Executive and Accountable Officer.

28th June 2024

Remuneration Report and Staff Report

Board members' and senior employees' remuneration.

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

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

- Ann Clark, Remuneration Committee Chair and Board Vice Chair
- Sarah Compton Bishop, Board Chair
- Elspeth Caithness, Employee Director
- Gerry O'Brien, Non-Executive Director
- Bert Donald, Non-Executive Director

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

All Non-Executive Directors are appointed by the Scottish Government Ministers for a fixed term.

All other Senior Managers are on permanent contracts.

HIGHLAND HEALTH BOARD

Remuneration Report for the year ended 31 March 2024 (audited)

	Note	Gross Salary (Bands of £5,000)	Bonus payments (Bands of £5,000)	Benefits in Kind (£'000 to nearest £100)	Total Earnings in Year (Bands of £5,000)	Pension benefits (£'000)	Total Remuneration (Bands of £5,000)
Executive Members							
Pam Dudek - Chief Executive	a	150-155	0	0	150-155	0	150-155
Boyd Peters - Medical Director:		190-195	0	0	190-195	90	280-285
Tim Allison - Director of Public Health & Health Policy		150-155	0	0	150-155	41	190-195
Heledd Cooper -Director of Finance		115-120	0	0	115-120	32	150-155
Louise Bussell - Board Nurse Director		120-125	0	0	120-125	20	140-145
Non Executive Members							
Alasdair Christie		10-15	0	0	10-15	N/A	10-15
Albert Donald		5-10	0	0	5-10	N/A	5-10
Alexander Anderson		10-15	0	0	10-15	N/A	10-15
Catriona Sinclair		5-10	0	0	5-10	N/A	5-10
Elspeth Caithness	b	50-55	0	0	50-55	14	65-70
Emily Woolard from 1st December 2023	c	0-5	0	0	0-5	N/A	0-5
Gaener Rodger		10-15	0	0	10-15	N/A	10-15
Garret Corner - Argyll and Bute Council Stakeholder member		5-10	0	0	5-10	N/A	5-10
Gerard O'Brien		15-20	0	0	15-20	N/A	15-20
Emily Woolard from 1st December 2023		10-15	0	0	10-15	N/A	10-15
Jean Boardman until 30th June 23	d	0-5	0	0	0-5	N/A	0-5
Joanne McCoy		5-10	0	0	5-10	N/A	5-10
Karen Leach from 1st December 23	e	0-5	0	0	0-5	N/A	0-5
Muriel Cockburn - The Highland Council Stakeholder member		5-10	0	0	5-10	N/A	5-10
Pamela Clark (known as Ann)		15-20	0	0	15-20	N/A	15-20
Philip Macrae		5-10	0	0	5-10	N/A	5-10
Sarah Compton-Bishop - Board Chair	f	30-35	0	0	30-35	N/A	30-35
Steve Walsh from 1st December 2023	g	0-5	0	0	0-5	N/A	0-5
Susan Ringwood		5-10	0	0	5-10	N/A	5-10
Senior Employees							
Alan Wilson - Director of Estates until 3rd January 24	h	80-85	0	0	80-85	7	90-95
David Park - Deputy Chief Executive		135-140	0	0	135-140	40	170-175
Deborah Jones - Director of Strategic Commissioning, Planning & Performance until 28th April 23	i	10-15	0	0	10-15	0	10-15
Fiona Davies - Chief officer A & B IJB		110-115	0	2.9	110-115	30	140-145
Fiona Hogg - Director of People & culture until 30th April 23	j	5-10	0	0	5-10	0	5-10
Gareth Adkins - Director of People & Culture from 10th July 23	k	75-80	0	0	75-80	4	80-85
Gaye Boyd - Interim Director of People & Culture From 1 May to 9 July 2023	l	15-20	0	0	15-20	0	15-20
Katherine Sutton - Chief Operating Officer Acute		115-120	0	0	115-120	28	145-150
Pamela Cremin - Interim Chief Officer North Highland from 1st February 2023 then permanent Chief Officer North Highland from 29th June 23		105-110	0	0	105-110	0	105-110
Richard MacDonald - Interim Director of Estates and Capital Planning From 4 - 19 January 2024 then Director of Estates and Capital Planning From 22 January 2024	m	20-25	0	0	20-25	0	20-25

Notes

The value of pension benefits accrued during the year is calculated as: the real increase in
The real increase in CETV will be less than the movement from opening to closing due to inflation.
a. Pam Dudek chose not to be covered by pension arrangements in the current reporting year.
b. The gross salary for Elspeth Caithness includes full time salary in range 40-45 for Employee director role.
c. The gross salary for Emily Woolard is for period shown, the full year effect is 5-10
d. The gross salary for Jean Boardman is for period shown, the full year effect is 5-10
e. The gross salary for Karen Leach is for period shown, the full year effect is 5-10
f. The gross salary for Sarah Compton-Bishop is for period shown, the full year effect is 30-35
g. The gross salary for Steve Walsh is for period shown, the full year effect is 5-10
h. The gross salary for Alan Wilson is for period shown, the full year effect is 110-115
i. The gross salary for Deb Jones is for period shown, the full year effect is 130-135
j. The gross salary for Fiona Hogg is for period shown, the full year effect is 115-120
k. The gross salary for Gareth Adkins is for period shown, the full year effect is 105-110
l. The gross salary for Gaye Boyd is for period shown, the full year effect is 95-100
m. The gross salary for Richard MacDonald is for period shown, the full year effect is 90-95

Non executive directors pay is non pensionable

HIGHLAND HEALTH BOARD

Remuneration Report for the year ended 31 March 2024 (audited)							
	Accrued pension at pensionable age as at 31 Mar 24 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 24 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 23 £000	Real increase in CETV in year £000
Executive Members							
Pam Dudek - Chief Executive	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Boyd Peters - Medical Director:	80-85	220-225	5-7.5	5-7.5	1993	1742	111
Tim Allison - Director of Public Health & Health Policy	10-15	0	2.5-5	0	182	123	30
Heledd Cooper -Director of Finance	0-5	0	0-2.5	0	52	19	15
Louise Bussell - Board Nurse Director	55-60	150-155	0-2.5	0	1219	1107	22
Non Executive Members							
Alasdair Christie	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Albert Donald	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alexander Anderson	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Catriona Sinclair	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Elspeth Caithness	20-25	55-60	0-2.5	0-2.5	478	428	17
Emily Woolard from 1st December 2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gaener Rodger	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Garret Corner - Argyll and Bute Council Stakeholder member	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gerard O'Brien	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Graham Bell	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jean Boardman until 30th June 23	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Joanne McCoy	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Karen Leach from 1st December 23	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Muriel Cockburn - The Highland Council Stakeholder member	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pamela Clark (known as Ann)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Philip Macrae	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sarah Compton-Bishop - Board Chair	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Steve Walsh from 1st December 2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Susan Ringwood	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Senior Employees							
Alan Wilson - Director of Estates until 3rd January 24	45-50	40-45	0-2.5	0	754	686	11
David Park - Deputy Chief Executive	20-25	0	2.5-5	0	314	249	30
Deborah Jones - Director of Strategic Commissioning, Planning & Performance until 28th April 23	55-60	155-160	0	0	1,405	1,385	(74)
Fiona Davies - Chief officer A & B IJB	30-35	80-85	0-2.5	0-2.5	670	589	26
Fiona Hogg - Director of People & culture until 30th April 23	5-10	0	0-2.5	0	133	117	(9)
Gareth Adkins - Director of People & Culture from 10th July 23	35-40	95-100	0-2.5	0	774	716	(1)
Gaye Boyd - Interim Director of People & Culture From 1 May to 9 July 2023	0-5	0	0-2.5	0	5	0	(7)
Katherine Sutton - Chief Operating Officer Acute	50-55	135-140	0-2.5	0	1,213	1,088	36
Pamela Cremin - Interim Chief Officer North Highland from 1st February 2023 then permanent Chief Officer North Highland from 29th June 23	40-45	110-115	0-2.5	0	981	909	5
Richard MacDonald - Interim Director of Estates and Capital Planning From 4 - 19 January 2024 then Director of Estates and Capital Planning From 22 January 2024	0-5	0	0-2.5	0	7	0	(5)

HIGHLAND HEALTH BOARD

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

Notes

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

a. The gross salary for Heidi May is for the period shown, the full year effect salary is in the range of 120-125

b. The gross salary for David Garden is for the period shown, the full year effect salary is in the range of 105-110

c. The gross salary for Heledd Cooper is for the period shown, the full year effect salary is in the range of 110-115

d. The gross salary for Kate patience Quate is for period shown, the full year effect is 125-130

e. The gross salary for Louise Bussell Includes Interim Chief officer. The full year Board Nurse director gross salary is in the range 115-120

f. The gross salary for Deirdre Mackay is for period shown, the full year effect is 5-10

g. The gross salary for Graham Hardie is for period shown, the full year effect is 5-10

h The gross salary for Elspeth Caithness includes full time salary in range 35-40 for Employee director role.

i. The gross salary for Muriel Cockburn is for period shown, the full year effect is 5-10

j. The gross salary for Garret Corner is for period shown, the full year effect is 5-10

k. The gross salary for Pamela Cremin is for period shown, the full year effect is 120-125

l. George Morrison - IJB Deputy Chief officer to 31st May 2023

Non executive directors pay is non pensionable

HIGHLAND HEALTH BOARD

NHS Highland

Remuneration Report for the year ended 31 March 2023 (audited)							
	Accrued pension at pensionable age as at 31 Mar 23 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 23 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 22 £000	Real increase in CETV in year £000
Executive Members							
Pam Dudek - Chief Executive	50-55	150-155	Nil	Nil	1,215	1,276	(79)
Heidi May - Nursing Director to 31/10/22	25-27	75-80	Nil	Nil	630	659	(38)
Boyd Peters - Medical Director:	75-80	180-185	2.5-5	2.5-5	1,695	1,588	84
David Garden - Director of Finance until 30/6/22	40-45	125-130	Nil	Nil	962	1014	(57)
Tim Allison - Director of Public Health & Health Policy	5-10	0	2.5-5	0	111	68	22
Heledd Cooper -Director of Finance from 8/8/22	0-5	0	0-2.5	0	17	0	7
Kate patience Quate - Interim Board Nurse Director from 1 November 2022 to 31 January 2023	40-45	115-120	0-2.5	NIL	851	843	(5)
Louise Bussell - Interim Chief officer on Secondment from 5 October 2020 (Internal secondment) - 31/1/23 then Board Nurse Director from 1 February 2023	05-Oct	0	0-2.5	0	74	45	14
Non Executive Members							
Prof Boyd Robertson - The Chair	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gaener Rodger	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sarah Compton-Bishop	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alasdair Christie	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deirdre Mackay - Highland Council Stakeholder Member until 5 May 2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pamela Clark (known as Ann)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jean Boardman	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alexander Anderson	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(Al)Bert Donald	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Philip Macrae	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Graham Hardie - Argyll and Bute Council Stakeholder Member until 5 May 2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gerard O'Brien	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Graham Bell	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Susan Ringwood	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Joanne McCoy	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Elspeth Caithness	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Elspeth Caithness	15-20	50-55	0-2.5	NIL	395	390	1
Catriona Sinclair	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Muriel Cockburn - The Highland Council Stakeholder member from 14 June 2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Garret Corner - Argyll and Bute Council Stakeholder member from 30 May 2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Senior Employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiona Hogg - Director of Human Resources	5-10	0	0-2.5	0	100	71	14
Deb Jones - Director of Strategic Commissioning, Planning & Performance	65-70	125-130	Nil	Nil	1,355	1,364	(29)
David Park - Deputy Chief Officer:	15-20	0	2.5-5	0	221	179	23
Katherine Sutton - Chief Operating Officer Acute	45-50	95-100	0-2.5	Nil	982	974	(7)
Alan Wilson - Director of Estates	40-45	40-45	0	0	599	592	(7)
Fiona Davies - Chief officer IJB	35-40	75-80	0-2.5	nil	594	580	0
Pamela Cremin - secondment from Grampian WEF 1/2/23	35-40	110-115	5-7.5	10-12.5	855	727	116
George Morrison to 31st May 22	45-50	135-140	NIL	NIL	1,108	1,185	(80)

Fair pay disclosure (subject to audit)

	2024	2023	Change
Range of staff remuneration	5,000-300,000	5,000-300,000	0
Highest earning Director's total remuneration (£)	193	178	8.4%
Median (total pay & benefits)	38	35	8.6%
Median (salary only)	38	35	8.6%
Ratio	5.08	5.12	-0.8%
25th Percentile (total pay & benefits)	30	28	7.1%
26th Percentile (salary only)	30	28	7.1%
Ratio	6.36	6.40	-0.6%
75th Percentile Pay (total pay & benefits)	48	45	6.7%
76th Percentile Pay (salary only)	48	44	9.1%
Ratio	4.01	3.99	0.5%

The increase in the percentiles is due to nationally agreed pay awards, including incremental rises in 2023/24. There is a further increase from the changing of those on Band 2 to Band 3 that were processed in 2023/24. The ratios have decreased due to reduced level of highest paid director's total remuneration.

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

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

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

Number of senior staff by band (subject to audit)

Employees whose remuneration fell within the following ranges:

Salary band	2024		2023	
	Clinicians	Other	Clinicians	Other
£ 70,001 to £ 80,000	123	29	81	24
£ 80,001 to £ 90,000	61	23	57	10
£ 90,001 to £100,000	54	16	45	13
£100,001 to £110,000	46		47	6
£110,001 to £120,000	51	4	49	
£120,001 to £130,000	48	2	45	
£130,001 to £140,000	29	1	45	2
£140,001 to £150,000	40	1	19	1
£150,001 to £160,000	24		24	
£160,001 to £170,000	20		18	
£170,001 to £180,000	15		16	
£180,001 to £190,000	13		3	
£190,001 to £200,000	9		2	
£200,001 and above	24		22	

Staff numbers and costs (subject to audit)

Staff Numbers and Costs								
Staff Costs	Executive Board Members £000	Non-Executive Members £000	Permanent Staff £000	Inward Secondee £000	Other Staff £000	Outward Secondee £000	2024 Total £000	2023 Total £000
Salaries and wages	737	197	436,504	-	-	(1,820)	435,618	394,316
Taxation & Social security costs	95	7	44,928	-	-	(214)	44,816	41,237
NHS scheme employers' costs	115	-	79,093	-	-	(326)	78,882	71,284
Other employers' pension costs	-	-	739	-	-	-	739	6,662
Inward secondees	-	-	-	492	-	-	492	613
Agency and other directly engaged staff	-	-	-	-	42,294	-	42,294	37,199
	947	**204**	**561,264**	**492**	**42,294**	**(2,360)**	**602,841**	**551,311**
Compensation for loss of office/early retirement	-	-	-	-	-	-	-	-
Pensions to former Board members	-	-	-	-	-	-	-	-
Total	**947**	**204**	**561,264**	**492**	**42,294**	**(2,360)**	**602,841**	**551,311**

Employee expenditure as above	602,842
Employee income included in Note 4 and IAS19 costs excluded from above (note 19)	2,360
Total employee expenditure disclosed in Note 3	605,202

THC Pension fund costs have been reclassified to staff costs in 2022, shown under other employers pension costs above.

Staff numbers (subject to audit)

Staff Numbers	Executive Board Members	Non-Executive Members	Permanent Staff	Inward Secondee	Other Staff	Outward Secondee	2024 Total	2023 Total
Whole time equivalent (WTE)	5	17	9,628	10	65	(33)	9,692	9,469
Included in the total staff numbers above were								
staff engaged directly on capital projects, charged to capital expenditure of:								
disabled staff of:							207	109

Staff composition (information not subject to audit)

An analysis of the number of persons of each sex who were directors and employees.

	2024			2023		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	3	5	2	3	5
Non-Executive Directors and Employee Director	8	10	18	8	9	17
Senior Employees	313	320	633	289	244	533
Other	2,575	14,272	16,847	2,487	13,940	16,427
Total Headcount	2,898	14,605	17,503	2,786	14,196	16,982

NHS Highland

Sickness Absence (information not subject to audit)

	2024	2023
Sickness	6.6%	5.8%

EMPLOYMENT OF DISABLED PERSONS (information not subject to audit)

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

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

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

   NHS Highland is currently awarded Disability Confident Committed status and is in the process of applying for Disability Confident Employer status expected to be completed by 31st May 2024.

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

   NHS Scotland's Capability Policy is utilised to support staff to continue in employment should their health condition affect their ability to perform their existing role.

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

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

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

   All staff have a responsibility to create an inclusive culture for themselves, colleagues and/or patients/clients. As part of NHS Highland's responsibility to mainstream equalities, NHS Highland works to ensure employees with protected characteristics are not discriminated upon and are treated with dignity, respect and due regard for their needs as employees.

OUTCOME	PROTECTED CHARACTERISTIC
Achieve Disability Confident Employer Status	Disability
Increase the number of staff completing equalities monitoring forms	All
All colleagues to complete the Introduction to Equality, Diversity and Human Rights training module	All
Establish Staff Networks to foster inclusion	Sexual Orientation Race Gender

Exit Packages – current year – (subject to audit)

No exit packages in 23/24 or 22/23.

	full time equivalent
Number of employees who were relevant union officials during the period April 2023 to March 2024	11
Full-time equivalent employee number	7

Percentage of total pay bill spent on facility time	2024 number
Total Cost of Facility Time	£322,839
Total Pay bill	£602,841,794
Percentage of the total pay bill spent on facility time	0.05%

Percentage of time spent on facility time	2024 number
0%	
1 to 50%	2
51 to 99%	3
100%	6
Total employees above	11

Trade Union Disclosure (information not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The table below details the necessary statutory disclosure data in terms for those that were employed to undertake trade union duties in fiscal year to March 2021.

PARLIAMENTARY ACCOUNTABILITY REPORT

Losses and Special Payments

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

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

	No. of cases	£000
Losses	297	2,494

There were three claims individually greater than £300,000 settled under the CNORIS scheme in 2023/24 and three in 2022/23. Further details on the scheme can be found in note 1 (accounting policies) of the annual accounts.

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

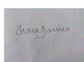
Remote Contingent Liabilities

Contingent liabilities that meet the disclosure requirements in IAS37 Provisions and Contingent Liabilities are included in note 14 of the Notes to the Accounts. I

In addition, due to the nature of activities of NHS Highland there are contingent liabilities for which IAS37 does not require disclosure because the probability of any requirement on the Board to meet future liabilities is considered to be remote.

Fees and Charges

The board had no commercial trading activity during 2023/24 where the full annual cost exceeded £1 million.

Signed: 

Chief Executive and Accountable Officer.

28th June 2024

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Highland Health Board and its group for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, Consolidated Summary of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group as at 31 March 2024 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 05 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the board and its group. However, I report on the board's

arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website].

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Claire Gardiner CPFA
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

28 June 2024

NHS Highland

Statement of Consolidated Comprehensive Net Expenditure

for the year ended 31st March 2024

2023 £000		Note	2024 £000
553,431	Employee expenditure	3a	605,201
	Other operating expenditure		
107,190	Independent Primary Care Services	3b	110,221
148,906	Drugs and medical supplies	3b	165,974
671,486	Other health care expenditure	3b	714,090
1,481,013			**1,595,486**
(475,996)	Less: operating income	4	(512,124)
2,130	Associates and joint ventures accounted for on an equity basis		(1,444)
1,007,147	**Net expenditure for the year**		**1,081,918**
	Other Comprehensive Net Expenditure		
(14,237)	equipment		(13,502)
(34,289)	Actuarial Change in Local Government Pension		(7,107)
(48,526)	**Other Comprehensive Expenditure**		**(20,609)**
958,621	**Comprehensive Net Expenditure**		**1,061,309**

NHS Highland

Consolidated Statement of Financial Position

for the year ended 31st March 2024

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
		Non-current assets			
477,994	477,994	Property, plant and equipment	7a	494,925	494,925
2,262	2,262	Intangible assets	6a	2,478	2,478
68,045	68,045	Right of Use assets	17a	66,261	66,261
		Financial assets:			
8,297	101	Investments	10	9,606	385
8,495	-	Investments in associates and joint ventures	26b	9,939	-
58,030	58,030	Trade and other receivables	9	62,713	62,713
623,123	**606,432**	**Total non-current assets**		**645,922**	**626,762**
		Current Assets			
8,023	8,023	Inventories	8	8,563	8,563
-	-	Intangible assets	6b	-	-
		Financial assets:			
53,837	54,183	Trade and other receivables	9	63,787	64,060
1,291	136	Cash and cash equivalents	11	1,063	132
63,151	**62,342**	**Total current assets**		**73,413**	**72,755**
686,274	**668,774**	**Total assets**		**719,335**	**699,517**
		Current liabilities			
(15,331)	(15,331)	Provisions due within one year	13a	(18,556)	(18,556)
		Financial liabilities:			
(143,230)	(143,210)	Trade and other payables	12	(147,350)	(147,319)
(158,561)	**(158,541)**	**Total current liabilities**		**(165,906)**	**(165,875)**
527,713	**510,233**	**Non-current assets less net current liabilities**		**553,429**	**533,642**
		Non-current liabilities			
(42,510)	(42,510)	Provisions due outwith one year	13a	(34,429)	(34,429)
		Financial liabilities:			
(44,084)	(44,084)	Trade and other payables	12	(59,450)	(59,450)
-	-	Liabilities in associates and joint ventures	26b	-	-
(86,594)	**(86,594)**	**Total non-current liabilities**		**(93,879)**	**(93,879)**
441,119	**423,639**	**Assets less liabilities**		**459,550**	**439,763**
		Taxpayers' Equity			
209,755	209,755	General fund	SoCTE	206,680	206,680
130,782	130,782	Revaluation reserve	SoCTE	142,135	142,135
83,102	83,102	Other reserves		90,948	90,948
8,495	-	Other reserves - associates and joint ventures	SoCTE	9,939	-
8,985	-	Fund held on Trust	SoCTE	9,848	-
441,119	**423,639**	**Total taxpayers' equity**		**459,550**	**439,763**

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

'The financial statements were approved by the Board on 28 June 2024 and signed on their behalf by:

Director of Finance Heledd Cooper

Chief Executive and Accountable Officer

NHS Highland
Statement of Consolidated Cash Flows
for the year ended 31st March 2024

2023 £000		Note	2024 £000	2024 £000
	Cash flows from operating activities			
(1,007,147)	Net operating cost	SoCTE	(1,081,918)	
78,549	Adjustments for non-cash transactions	2b	35,774	
4,306	Add back: interest payable recognised in net operating cost	2b	2,965	
(6)	Deduct: interest receivable recognised in net operating cost	4	(17)	
0	Investment income		0	
(46,093)	Movements in working capital	2b	(4,941)	
(970,391)	**Net cash outflow from operating activities**	26c		**(1,048,137)**
	Cash flows from investing activities			
(38,853)	Purchase of property, plant and equipment		(31,261)	
(1,145)	Purchase of intangible assets		(914)	
(607)	Investment additions	10	(1,276)	
	Transfer of assets to / (from) other NHS Scotland bodies			
181	Proceeds of disposal of property, plant and equipment		24	
773	Receipts from sale of investments		398	
6	Interest received		17	
(39,645)	**Net cash outflow from investing activities**	26c		**(33,012)**
	Cash flows from financing activities			
1,023,258	Funding	SoCTE	1,092,996	
0	Movement in general fund working capital	SoCTE	0	
1,023,258	Cash drawn down		1,092,996	
(2,585)	Capital element of payments in respect of on-balance sheet PFI and Hub contracts	2b	(9,110)	
(5,975)	IFRS 16 - 2022-23 cash lease payment	2b	0	
(2,161)	Interest paid	17a	(405)	
(2,145)	Interest element of leases and on-balance sheet PFI / PPP and Hub contracts	2b	(2,560)	
1,010,392	**Net Financing**	26c		**1,080,921**
356	Net Increase (decrease) in cash and cash equivalents in the period	11		(228)
935	Cash and cash equivalents at the beginning of the period			1,291
1,291	**Cash and cash equivalents at the end of the period**			**1,063**
	Reconciliation of net cash flow to movement in net debt/cash			
356	Increase (decrease) in cash in year			(228)
935	Net cash at 1 April			1,291
1,291	**Net cash at 31 March**			**1,063**

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

NHS Highland

Consolidated Summary of Changes in Taxpayers' Equity

for the year ended 31st March 2024

	Note	General Fund £000	Revaluation Reserve £000	Other Reserve £000	Associates & Joint £000	Funds Held on Trust £000	Total Reserves £000
Balance at 31 March 2023		209,755	130,782	83,102	8,495	8,985	441,119
Retrospective restatements for changes in accounting policy and material errors	21	-	-	-	-	-	-
Balance at 1 April 2023		**209,755**	**130,782**	**83,102**	**8,495**	**8,985**	**441,119**
Changes in taxpayers' equity for 2023-24 :							
Net gain on revaluation of property, plant and equipment	7a	-	13,502	-	-	-	13,502
Net loss on revaluation / indexation of intangible assets	6	-	-	-	-	-	-
Net gain on revaluation of investments	10	-	-	-	-	429	429
Net gain on revaluation of Right of Use Assets	17a	-	24	-	-	-	24
Impairment of property, plant and equipment		-	(913)	-	-	-	(913)
Impairment of intangible assets	6	-	-	-	-	-	-
Revaluation and impairments taken to operating costs	2b	-	913	-	-	-	913
Release of reserves to the statement of comprehensive net expenditure		-	-	-	-	-	-
Transfers between reserves		2,173	(2,173)	-	-	-	-
Pension reserve movements		-	-	-	-	-	-
Other non cash costs -IFRS 16 Opening Balance	2b	(14,448)	-	7,846	-	-	(6,602)
Net operating cost for the year	CFS	(1,083,796)	-	-	1,444	434	(1,081,918)
Total recognised income and expense for 2023-24		**(1,096,071)**	**11,353**	**7,846**	**1,444**	**863**	**(1,074,565)**
Funding:							
Drawn down	CFS	1,092,996					
Movement in General Fund (creditor) / debtor	CFS	-					
Balance at 31 March 2024	SoFP	**206,680**	**142,135**	**90,948**	**9,939**	**9,848**	**459,550**

Changes in taxpayers' equity for 2022-23 :

Prior Year	Note	General Fund £000	Revaluation Reserve £000	Other Reserves £000	Associates & Joint £000	Funds Held on Trust £000	Total Reserves £000
Balance at 31 March 2022		145,438	118,734	42,151	10,625	9,384	326,332
Prior year adjustments for changes in accounting policy and material errors	20						
Balance at 1 April 2022		**145,438**	**118,734**	**42,151**	**10,625**	**9,384**	**326,332**
Changes in taxpayers' equity for 2022-23							
Net gain on revaluation of property, plant and equipment	7a	-	14,237	-	-	-	14,237
Net loss on revaluation / indexation of intangible assets	6	-	-	-	-	-	-
Net loss on revaluation of investments	10	-	-	-	-	(232)	(232)
Net gain on revaluation of Right of Use Assets	17a	-	39	-	-	-	39
Impairment of property, plant and equipment	17a	-	(7,931)	-	-	-	(7,931)
Impairment of intangible assets	6	-	-	-	-	-	-
Revaluation and impairments taken to operating costs	2b	-	7,931	-	-	-	7,931
Release of reserves to the statement of comprehensive net exper		-	-	-	-	-	-
Transfers between reserves		2,228	(2,228)	-	-	-	-
Pension reserve movements		-	-	-	-	-	-
Other non cash costs - PFI PY revaluation & THC ASC ii	2b	43,681	-	40,951	-	-	84,632
Net operating cost for the year	CFS	(1,004,850)	-	-	(2,130)	(167)	(1,007,147)
Total recognised income and expense for 2022-23		**(958,941)**	**12,048**	**40,951**	**(2,130)**	**(399)**	**(908,471)**
Funding:							
Drawn down	CFS	1,023,258					
Movement in General Fund (creditor) / debtor	CFS	-					
Balance at 31 March 2023	SoFP	**209,755**	**130,782**	**83,102**	**8,495**	**8,985**	**441,119**

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

NHS Highland

ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 30 below.

a. **Standards, amendments and interpretations effective in the current year**. There are no new standards, amendments or interpretations effective in the year 2023-2024. However, 23/24 FREM mandates reporting indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24.

b. **Standards, amendments and interpretation early adopted this year.** There are no new standards, amendments or interpretations early adopted in the 2023-24 financial year.

c. **Standards, amendments and interpretation issued but not adopted this year.** The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2023-24 financial year.

Standard	Current Status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. Not appliable to NHS Scotland bodies.
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023. However, this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025.

2. Basis of Consolidation

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

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

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

The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation. The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

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

Note 26, provides further details on the consolidation of the Endowment Fund and IJBs within the Financial Statements.

3. Retrospective Restatements

There are no retrospective restatements in respect of changes in accounting policy or correction of material errors in accordance with IAS 8

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

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

In general, operational assets which are in use delivering front line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual are adopted:

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

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

- Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as agreed by the District Valuer.
- Non-specialised land and buildings, such as offices, are stated at fair value.

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

Assets under construction are valued at current cost. These are also subject to impairment review.

Subsequent expenditure:

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

Revaluations and Impairment:

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

Permanent decreases in asset values and impairments arising from a reduction in service potential or consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

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

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

1. Freehold land is considered to have an infinite life and is not depreciated.
2. Assets in the course of construction and residual interests in off- Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
3. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
4. Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
5. Equipment is depreciated over the estimated life of the asset.
6. Leased Property, plant and equipment held under leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty the Board will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

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

Software

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

Software licences

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

Websites

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

8.2 Measurement

Valuation

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

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

Revaluation and impairment

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

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

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

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

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

8.3 Amortisation

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

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

1. Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.

2. Software. Amortised over their expected useful life.

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

4. Other intangible assets. Amortised over their expected useful life.

5. Intangible assets which have been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight-line basis.

The following asset lives have been used:

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

9. Non-current assets held for sale

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

1. the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;

2. the sale must be highly probable i.e.:

    - management are committed to a plan to sell the asset;
    - an active programme has begun to find a buyer and complete the sale;
    - the asset is being actively marketed at a reasonable price;
    - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and

- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset. Donated assets are revalued, depreciated/amortised and subject to impairment in the same way as other non-current assets in accordance with the NHS Capital Accounting Manual.

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

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

12. Leases

Scope and classification

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

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

The following are excluded:

- Contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and

- Contracts with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised).

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

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

Lease expenditure

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

Transitional arrangements

The following determinations have been made:

a. To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2022-23 reflect the requirements of IAS 17;

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

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

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

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

Accounting for leases under IAS 17 (2021/22)

Finance leases

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

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

Operating leases

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

Leases of land and buildings

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

Estimates and judgements

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

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

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

18. Clinical and Medical Negligence Costs

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

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

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

19. Related Party Transactions

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

20. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. PFI/HUB/NPD Schemes

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

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of

Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IFRS 16. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

An IFRS 16 approach requires the liability to be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments. The liability does not include estimated future indexation linked increases. There are two elements required:

Initial remeasurement

The future PPP liabilities were remeasured at 1 April 2023 to include the indexation linked changes to payments for the capital/infrastructure element which have taken effect in the cash flows since the PPP arrangement commenced. FReM mandated a cumulative catch-up approach, where the cumulative effect is recognised as an adjustment to the opening balance of General Fund. Comparative information is not restated.

Subsequent measurement

The timing of any subsequent remeasurement of the PPP liability for indexation linked changes will be whenever there is a change in the cash flows i.e., when the adjustment to lease payments takes effect.

22. 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.

23. Contingencies

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

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

- 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.

24. Corresponding Amounts

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

25. Financial Instruments

Financial Assets

Business model

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

Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

a. Financial assets at fair value through profit or loss

This is the default basis for financial assets.

b. Financial assets held at amortised cost

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

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

c. Financial assets at fair value through other comprehensive income

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

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

Impairment of financial assets

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

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

Recognition and measurement

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

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

a. Financial assets at fair value through profit or loss.

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

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

b. Financial assets held at amortised cost.

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

c. Financial assets held at fair value through other comprehensive income.

Financial Liabilities

<u>Classification</u>

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

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

a. Financial liabilities at fair value through profit or loss

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

b. Financial liabilities held at amortised cost

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

Recognition and measurement

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

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

a. Financial liabilities at fair value through profit or loss

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

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

b. Amortised costs

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

26. Segmental reporting

Operating segments are reported in Note 5 in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board [or other appropriate reference applicable].

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

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

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

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

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

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.

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

30. Key sources of judgement and estimation uncertainty

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

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

Assessment of Leases

The Board determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable,

the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under "peppercorn" leases to be measured at existing use value.

Pension Provision

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

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

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

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

See Note 19 for detailed information on this liability.

Other Estimates and Judgements

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

Estimates

Property Plant and Equipment

The Board commissioned a valuation for 31 March 2024.

The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has exercised professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Highland as at 31 March 2024. See Note 7 for analysis.

NHS Highland

Summary of Resource Outturn

for the year ended 31st March 2024

Note 2a **Summary of Resource Outturn (SORO)**

	Note	2024 £000	2024 £000
Summary Of Core Revenue Resource Outturn			
Net Operating Costs	SoCNE		1,081,918
Total Non-Core Expenditure (see below)			(32,032)
Family Health Services Non-Discretionary Allocation			(39,292)
Endowment Net Operating Costs			434
Associates and Joint Ventures accounted for on an equity basis			1,444
Total Core Expenditure			**1,012,472**
Core Revenue Resource Limit			**1,012,736**
Saving against Core Revenue Resource Limit (RRL)			**264**
Summary Of Non-Core Revenue Resource Outturn			
Capital Grants to Other Bodies		115	
Depreciation / Amortisation		22,188	
Annually Managed Expenditure - Impairments		913	
Annually Managed Expenditure - Creation of Provisions		1,319	
Annually Managed Expenditure - Depreciation of Donated Assets		139	
Annually Managed Expenditure - Pension Valuation		739	
Annually Managed Expenditure - fair value adjustments		-	
Additional SGHSCD non-core funding		1,460	
Donated assets income		(20)	
IFRS PFI Expenditure		(1,012)	
Right of Use (RoU) Asset Depreciation		5,218	
Right of Use (RoU) Peppercorn Leases Depreciation		973	
Total Non-Core Expenditure			**32,032**
Non Core Revenue Resource Limit			**32,035**
Saving against Non-Core Revenue Resource Limit (RRL)			**3**

Summary Resource Outturn

	Resource £000	Expenditure £000	Saving £000
Core	1,012,736	1,012,472	264
Non-Core	32,035	32,032	3
Total	**1,044,771**	**1,044,504**	**267**

Note 2b **Notes to the Cash Flow Statement**

2023 £000		Note	2024 £000
	Consolidated adjustment for non-cash transactions		
19,937	Depreciation	7a	21,348
619	Amortisation	6	698
147	Depreciation of donated assets	7a	139
6,882	Depreciation of Right of Use (RoU) Assets	17b	6,323
0	Right of Use (RoU) Remeasurement (gain)/loss	17b	0
0	Right of Use asset dilapidation	7d	0
(325)	Right of Use asset peppercorn leases	7d	0
7,931	Impairments on PPE charged to SoCNE		913
0	Net revaluation on PPE charged to SoCNE		0
0	Reversal of impairments on PPE charged to SoCNE		0
0	Impairments on intangible assets charged to SoCNE	6	0
0	Net revaluation on intangible assets charged to SoCNE	6	0
0	Reversal of impairments on intangible assets charged to SoCN	6	0
0	Loss on re-measurement of non-current assets held for sale	7b	0
(31)	Funding Of Donated Assets	7a	(20)
0	Loss / (profit) on disposal of intangible assets		0
(17)	Loss / (profit) on disposal of property, plant and equipment		(19)
0	Impairment of investments charged to SoCNE	10	0
0	GP Loans fair value adjustment	10	0
2,130	Associates and joint ventures accounted for on an equity basis	SoCNE	(1,444)
41,276	Other non-cash transactions THC IAS 19 data		7,846
0	£500 pass through Covid payments to ASC providers staff & DOH Equipment (donated)		(10)
78,549	**Total Expenditure Not Paid In Cash**	**CFS**	**35,774**

Interest payable recognised in operating expenditure

2023 £000		Note	2024 £000
	Interest payable		
1,776	PFI Finance lease charges allocated in the year	18	2,218
369	Lease interest	17b	342
2,161	Provisions - Unwinding of discount		405
4,306	**Total Interest Payable**		**2,965**

Consolidated movements in working capital

2023		Note	Opening Balances £000	Closing Balances £000	2024 Net Movement £000
	Inventories				
(787)	Balance Sheet	8	8,023	8,563	
(787)	**Net (Decrease)**		8,023	8,563	**(540)**
	Trade and Other Receivables				
(8,460)	Due within one year	9	53,837	63,787	
(31,052)	Due after more than one year	9	58,030	62,713	
			111,867	126,500	
(39,512)	**Net (Decrease)**				**(14,633)**
	Trade and Other Payables				
(5,984)	Due within one year	12	143,230	147,350	
16,352	Due after more than one year	12	44,084	59,450	
8,016	Less: property, plant & equipment (capital) included in above		(8,016)	(2,564)	
-	Less: General Fund creditor included in above	12	-	-	
(21,996)	Less: lease and PFI creditors included in above	12	(48,568)	(58,418)	
		SoCCF	130,730	145,818	
(3,612)	**Net Increase (Decrease)**				**15,088**
	Provisions				
(2,182)	Statement of Financial Position	13a	57,841	52,985	
		SoCCF	57,841	52,985	
(2,182)	**Net (Decrease)**				**(4,856)**
(46,093)	**Net (Decrease)**				**(4,941)**

Other non-cash costs

2023 £000		Note	2024 £000
	Other non-cash costs		
43,681	Peppercorn transition figure		-
	PFI LeasePrior Year Adjustment to GF		**(14,448.00)**
43,681	**Total other non-cash costs**		**(14,448.00)**

Note 3 **Operating Expenses**

2023 Consolidated £000		2024 Board £000	2024 Consolidated £000
	Note 3a Staff Costs		
114,773	Medical and Dental	125,377	125,377
193,515	Nursing	215,277	215,277
245,143	Other Staff	264,547	264,547
553,431	**Total Staff Costs**	**605,201**	**605,201**

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

2023 Consolidated £000		2024 Board £000	2024 Consolidated £000
	Note 3b Other Operating Costs		
	Independent Primary Care Services		
64,527	General Medical Services	67,279	67,279
17,304	Pharmaceutical Services	18,922	18,922
19,475	General Dental Services	17,518	17,518
5,884	General Ophthalmic Services	6,502	6,502
107,190		**110,221**	**110,221**
	Drugs and Medical Supplies		
70,857	Prescribed drugs Primary Care	78,596	78,596
47,644	Prescribed drugs Secondary Care	52,796	52,796
1,218	PPE and Testing Kits	512	512
29,187	Medical Supplies	34,070	34,070
148,906		**165,974**	**165,974**
	Other health care expenditure		
260,462	Contribution to Integration Joint Boards	291,773	291,773
111,469	Goods and services from other NHS Scotland bodies	119,261	119,261
335	Goods and services from other UK NHS bodies	918	918
14,986	Goods and services from private providers	12,321	12,321
6,306	Goods and services from voluntary organisations	7,246	7,246
-	Resource Transfer	-	-
58	Loss on disposal of assets	-	-
276,836	Other operating expenses (analysed in note 3c below)	281,792	281,792
225	External Auditor's remuneration - statutory audit fee	238	238
-	External Auditor's remuneration - IJB	-	-
809	Endowment Fund expenditure	-	541
671,486		**713,549**	**714,090**
927,582	Other Operating Expenditure	**989,744**	**990,285**

Note 3c **Analysis of Other Operating Expenses reported in note 3b above**

2023 Consolidated £m	Other Operating Expenses reported above includes	Note	2024 Board £m	2024 Consolidated £m
128.2	Social Work Healthcare		134	134
29.6	Other Admin Supplies		32	32
20.8	Capital Charges		22	22
18.7	Other Supplies		19	19
197	**Other operating expenses included in note 3b above**		**207**	**207**

Note 4 Operating Income

2023 Consolidated £000		2024 Board £000	2024 Consolidated £000
0	Income from Scottish Government	516	516
39,332	Income from other NHS Scotland bodies	44,263	44,263
2,990	Income from NHS non-Scottish bodies	2,719	2,719
20	Income from private patients	11	11
252,943	Income for services commissioned by Integration Joint Board	272,722	272,722
2,907	Patient charges for primary care	3,054	3,054
31	Donations	20	20
41	Profit on disposal of assets	19	19
4,934	Contributions in respect of clinical and medical negligence claims	2,779	2,779
6	Interest received	17	17
	Non NHS:		
694	Overseas patients (non-reciprocal)	762	762
0	Non-patient care income generation schemes	-	0
642	Endowment Fund Income	-	976
171,456	Other	184,266	184,266
475,996	**Total Income**	**511,148**	**512,124**

Note 4 Analysis of Other Operating Income

2023 Consolidated £000		2024 Board £000	2024 Consolidated £000
	Other Operating Income reported above includes ;		
139,614	Contributions Public Sector	149,303	149,303
15,408	Board Residents	17,176	17,176
3,363	Other Operating Income	4,747	4,747
2,616	Healthcare to Local Authority	2,896	2,896
161,001		**174,122**	**174,122**

Note 5 Segmental Information

	Acute £000	North Highland Communities inc ASC £000	ASC Funding £000	Mental Health £000	Primary Care £000	Children's Services £000	Corporate Ehealth & Tertiary £000	Central £000	Facilities £000	A&B £000	NTC £000	Total £000
Net operating cost	294,895	255,749	(148,424)	58,163	156,926	12,220	90,755	28,080	52,651	260,826	21,955	**1,083,796**
Net operating cost prior year	288,819	238,736	(138,791)	50,617	147,451	11,943	83,700	33,734	46,145	242,496	0	**1,004,850**

Note 6 Intangible Assets (Non-Current) - Board and Consolidated

	Note	Software Licences £000	IT - Software £000	Total £000
Cost or Valuation				
At 1 April 2023		2748	6862	**9610**
Additions		0	914	**914**
At 31 March 2024		**2748**	**7776**	**10524**
Amortisation				
At 1 April 2023		2187	5161	**7348**
Provided during the year		184	514	**698**
At 31 March 2024		**2371**	**5675**	**8046**
Net book value at 1 April 2023		**561**	**1701**	**2262**
Net book value at 31 March 2024	SoFP	**377**	**2101**	**2478**

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

	Note	Software Licences £000	IT-Software £000	Total £000
Cost or Valuation				
At 1 April 2023		2742	5723	**8465**
Additions		6	1139	**1145**
At 31 March 2024		**2748**	**6862**	**9610**
Amortisation				
At 1 April 2023		1902	4827	**6729**
Provided during the year		285	334	**619**
At 31 March 2024		**2187**	**5161**	**7348**
Net book value at 1 April 2023		**840**	**896**	**1736**
Net book value at 31 March 2024	SoFP	**561**	**1701**	**2262**

Note 7 a **Property, Plant and Equipment : Consolidated and Board**

	Land (inc under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total 2024
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2023	20,839	432,976	7,134	127	90,175	13,622	1,769	10,625	577,267
Additions - purchased	-	-	-	-	-	-	-	25,809	25,809
Additions - donated	-	-	-	-	20	-	-	-	20
Completions	-	13,022	403	-	4,452	1,765	-	(19,642)	-
assets held for sale									-
Revaluations	105	6,231	180	-	-	-	-	-	6,516
Impairment charges	(279)	(2,410)	-	-	-	-	-	-	(2,689)
Disposals - purchased	-	-	-	-	(1,198)	-	-	-	(1,198)
Disposals - donated	-	-	-	-	(29)	(13)	-	-	(42)
At 31st March 2024	**20,665**	**449,819**	**7,717**	**127**	**93,420**	**15,374**	**1,769**	**16,792**	**605,683**
Depreciation									
At 1 April 2023	-	32,645	346	82	55,912	8,534	1,754	-	99,273
Provided during the year - purchased	-	11,140	392	6	8,464	1,339	7	-	21,348
Provided during the year - donated	-	95	7	4	31	2	-	-	139
assets held for sale									-
Revaluations	-	(6,806)	(180)	-	-	-	-	-	(6,986)
Impairment charges	-	(1,776)	-	-	-	-	-	-	(1,776)
Disposals - purchased	-	-	-	-	(1,198)	-	-	-	(1,198)
Disposals - donated	-	-	-	-	(29)	(13)	-	-	(42)
At 31st March 2024	**-**	**35,298**	**565**	**92**	**63,180**	**9,862**	**1,761**	**-**	**110,758**
Net book value at 1 April 2023	**20,839**	**400,331**	**6,788**	**45**	**34,263**	**5,088**	**15**	**10,625**	**477,994**
Net book value at 31 March 2024	**20,665**	**414,521**	**7,152**	**35**	**30,240**	**5,512**	**8**	**16,792**	**494,925**
Open Market Value of Land in Land and Dwellings Included Above	272		249						-
Asset financing:									
Owned - purchased	20,620	364,786	6,909	31	30,179	5,512	8	16,792	**444,837**
Owned - donated	45	3,858	243	4	61	-	-	-	**4,211**
On-balance sheet PFI contracts	-	45,877	-	-	-	-	-	-	**45,877**
Net book value at 31 March 2024	**20,665**	**414,521**	**7,152**	**35**	**30,240**	**5,512**	**8**	**16,792**	**494,925**

Note 7 a **(Prior Year)**

	Land	Buildings	Dwellings	Transport	Plant &	Informatio	Furniture	Assets	2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2022	21,095	387,668	7,568	152	85,309	10,089	1,769	40,966	554,616
Additions - purchased	-	-	-	-	-	-	-	30,837	30,837
Additions - donated	-	-	-	-	31	-	-	-	31
Completions	-	50,122	520	-	7,003	3,533	-	(61,178)	-
assets held for sale									-
Revaluations	(47)	4,246	(954)	-	-	-	-	-	3,245
Impairment charges	(194)	(8,900)	-	-	-	-	-	-	(9,094)
Disposals - purchased	(15)	(160)	-	(25)	(2,051)	-	-	-	(2,251)
Disposals - donated	-	-	-	-	(117)	-	-	-	(117)
At 31 March 2023	20,839	**432,976**	**7,134**	**127**	**90,175**	**13,622**	**1,769**	10,625	**577,267**
Depreciation									
At 1 April 2022	-	32,727	762	100	50,527	7,688	1,746	-	93,550
Provided during the year - purchased	-	10,843	724	6	7,513	843	8	-	19,937
Provided during the year - donated	-	101	7	1	35	3	-	-	147
assets held for sale									-
Revaluations	-	(9,845)	(1,147)	-	-	-	-	-	(10,992)
Impairment charges	-	(1,163)	-	-	-	-	-	-	(1,163)
Disposals - purchased	-	(18)	-	(25)	(2,046)	-	-	-	(2,089)
Disposals - donated	-	-	-	-	(117)	-	-	-	(117)
At 31 March 2023	**-**	**32,645**	**346**	**82**	**55,912**	**8,534**	**1,754**	**-**	**99,273**
Net book value at 1 April 2022	**21,095**	**354,941**	**6,806**	**52**	**34,782**	**2,401**	**23**	**40,966**	**461,066**
Net book value at 31 March 2023	**20,839**	**400,331**	**6,788**	**45**	**34,263**	**5,088**	**15**	**10,625**	**477,994**
Open Market Value of Land in Land and Dwellings included above	272		249						
Asset financing:									
Owned - purchased	20,794	352,593	6,552	37	34,191	5,086	15	10,625	429,893
Owned - donated	45	3,785	237	8	72	2	-	-	4,149
On-balance sheet PFI contracts	-	43,953	(1)	-	-	-	-	-	43,952
Net book value at 31 March 2023	**20,839**	**400,331**	**6,788**	**45**	**34,263**	**5,088**	**15**	**10,625**	**477,994**

Note 7 b. Assets held for Sale

There were no assets held for sale in 2023/24

Assets held for Sale - Consolidated and Board	Note	2023 £000	2024 £000
At 1 April 2023			
Transfers (to) / from property, plant and equipment	7a	0	0
Gain or losses recognised on remeasurement of non-current assets held for sale		0	0
Disposals of non-current assets held for sale		0	0
At 31 March 2024	SoFP	**0**	**0**

Note 7c. Property, Plant and Equipment Disclosures

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
473,846	473,846	Purchased	7a	490,714	490,714
4,148	4,148	Donated	7a	4,211	4,211
477,994	**477,994**	**Net book value of property, plant and equipment at 31 March**		**494,925**	**494,925**
272	**272**	**Net book value related to land valued at open market value at 31 March**		**272**	**272**
249	**249**	**Net book value related to buildings valued at open market value at 31 March**		**249**	**249**
		Total value of assets held under:			
0	0	Finance Leases		0	0
43,952	43,952	PFI and PPP Contracts		45,877	45,877
43,952	**43,952**			**45,877**	**45,877**
		Total depreciation charged in respect of assets held under:			
0	0	Hire Purchase Contracts		0	0
1,369	1,369	PFI and PPP contracts		1,490	1,490
1,369	**1,369**			**1,490**	**1,490**

An annual valuation of 20% of all NHS Highland properties was carried by an independent valuer, Barr(Argyll&Bute) & Burnetts(North Highland) in March 2024 on the basis of fair value (market value or depreciated replacement cost where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statetment of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS. The indexation rate of 6%, as recommended by the independent valuers was applied to all buildings and dwellings that were not subject to revaluation.

The net impact was an increase of £13.502m (2022-23: £6.345m - an increase of £7.157m) which was credited to the revaluation reserve. Impairment of £913k (2022-23 £7.931m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.A23

Note 7d **Analysis of Capital Expenditure**

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
1,145	1,145	Acquisition of Intangible assets	6	914	914
30,837	30,837	Acquisition of Property, Plant and Equipment	7a	25,809	25,809
31	31	Donated Asset Additions	7a	20	20
0	0	GP Loans advances	10	290	290
2,037	2,037	Right of Use (RoU) Additions	17a	5,051	5,051
34,050	**34,050**	**Gross Capital Expenditure**		**32,084**	**32,084**
162	162	Net book value of disposal of property, plant and equipme	7a	0	0
0	0	Right of Use Disposals	17a	539	539
2	2	HUB - repayment of investment	17a	5	5
164	**164**	**Capital Income**		**544**	**544**
33,886	**33,886**	**Net Capital Expenditure**		**31,540**	**31,540**
		Summary of Capital Resource Outturn			
33,855	33,855	Core capital expenditure included above		31,230	31,230
33,934	33,934	Core Capital Resource Limit		31,235	31,235
79	**79**	**Saving against Core Capital Resource Limit (CRL)**		**5**	**5**
31	31	Non Core capital expenditure included above		310	310
31	31	Non Core Capital Resource Limit		310	310
0	**0**	**Saving against Non Core Capital Resource Limit (CRL)**		**0**	**0**
33,886	33,886	Total Capital Expenditure		31,540	31,540
33,965	33,965	Total Capital Resource Limit		31,545	31,545
79	**79**	**Saving against Total Capital Resource Limit**		**5**	**5**

Note 8 **Inventories**

Consolidated 2023 £000	Board 2023 £000		Consolidated 2024 £000	Board 2024 £000
8,023	8,023	Raw Materials and Consumables	8,563	8,563
8,023	**8,023**		**8,563**	**8,563**

Note 9 Trade and Other Receivables

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
123	123	Scottish Government		166	166
6,007	6,007	Boards		7,086	7,086
6,130	**6,130**	**NHS Scotland receivables due within one year**		**7,252**	**7,252**
741	741	NHS Non-Scottish Bodies		748	748
1,700	1,700	VAT recoverable		1,278	1,278
8,114	8,114	Prepayments		5,863	5,863
7,205	7,205	Accrued income		7,889	7,889
2,363	2,709	Other Receivables		3,539	3,812
5,059	5,059	Reimbursement of provisions		7,965	7,965
22,525	22,525	Other Public Sector Bodies		29,253	29,253
53,837	**54,183**	**Total receivables due within one year**	SoFP	**63,787**	**64,060**
39,045	39,045	Other Public Sector Bodies		46,152	46,152
1,206	1,206	Prepayments		1,140	1,140
5,158	5,158	Accrued income		14,802	14,802
3,367	3,367	Other receivables		19	19
9,254	9,254	Reimbursement of Provisions		600	600
58,030	**58,030**	**Total Receivables due after more than one year**	SoFP	**62,713**	**62,713**
111,867	**112,213**	**Total Receivables**		**126,500**	**126,773**
		Provision for impairment included above			
1,847	1,847	The total receivables figure above includes a provision for impairments of:		2,076	2,076
		WGA Classification			
6,007	6,007	NHS Scotland		7,086	7,086
1,728	1,728	Central Government Bodies		1,282	1,282
22,525	22,525	Whole of Government Bodies		29,253	29,253
741	741	Balances with NHS Bodies in England and Wales		748	748
80,866	81,212	Balances with bodies external to Government		88,131	88,404
111,867	**112,213**	**Total Current Receivables**		**126,500**	**126,773**
		Movement on the provision for impairment of receivables:			
1,672	1,672	At 1 April		1,847	1,847
389	389	Provision for impairment		539	539
(214)	(214)	Receivables written off during the year as uncollectable		(92)	(92)
0	0	Unused amounts reversed		(218)	(218)
1,847	**1,847**	**As at 31st March**		**2,076**	**2,076**

As of 31 March 2024, receivables with a carrying value of £2.076m (2022-23: £1.847) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
		3 to 6 months past due			
1,847	1,847	Over 6 months past due		2,076	2,076
1,847	**1,847**	**As at 31st March**		**2,076**	**2,076**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2024, receivables with a carrying value of £4.559 million (2022-23: £7.201 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
1,959	1,959	Up to 3 months past due		1,851	1,851
533	533	3 to 6 months past due		593	593
4,709	4,709	Over 6 months past due		2,115	2,115
7,201	**7,201**	**As at 31st March**		**4,559**	**4,559**

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

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

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

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

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
		Currencies:			
111,867	112,213	Pounds		126,500	126,773
111,867	**112,213**			**126,500**	**126,773**

All non-current receivables are due within 11 years (2022-23: 12 years) from the balance sheet date.
The carrying amount of short term receivables approximates their fair value.
The fair value of long term other receivables is £62,713 (2022-23 £58,030).
The effective interest rate on non-current other receivables is 0% (2022-23: 0%). Pension liabilities are discounted at 2.45% (2022-23: 1.7%).

Note 10 **Investments**

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
390	-	Government Securities		453	-
7,907	101	Other		9,153	385
8,297	**101**	**Total**	SoFP	**9,606**	**385**
8,696	102	At 1 April		8,297	101
607	-	Additions	CFS	986	-
-	-	GP Loans advances	CFS	290	290
(774)	(1)	Disposals		(404)	(6)
(232)	-	Revaluation surplus / (deficit) transferred to equity	SoCTE	437	-
8,297	**101**	**At 31 March**		**9,606**	**385**
-	**-**	Current	SoFP	-	**-**
8,297	101	Non-current	SoFP	9,606	385
8,297	**101**	**At 31 March**		**9,606**	**385**

We have a small shareholding in HUB North of Scotland Ltd, an unlisted investment denominated in UK pounds; £95k in the form of non-equity long term loans repayable in full with interest over 25 years to HUB North of Scotland Ltd as part of the financing arrangements for the Forres, Woodsideand Tain Health Centre Project. The carrying value of £95k of these investments is cost less impairment as there is no active market.
Stocks and Bonds relate to the Highland Health Board Charitable Endowment Funds which are invested in a portfolio of bonds and equity investments, managed by the Funds appointed Investment Managers Adam & Company Investment Management Limited., in line with a medium risk strategy to deliver a balance between income and capital growth. The carrying value of Stocks and Bonds is market value. In 2023/24, in accordance with the National Code of Practice for GP Premises, a GP SUstainability Loan of £290k was issued to a GP Practice in Argyll and Bute.

Note 11. Cash and Cash Equivalents

Consolidated 2023	Board 2023		Consolidated 2024 £000	Board 2023 £000
935	15	Balance at 1 April	1,291	136
356	121	Net change in cash and cash equivalent balances	(228)	(4)
1,291	**136**	**Balance at 31 March**	**1,063**	**132**
1,291	**136**	**Total Cash - Cash Flow Statement**	**1,063**	**132**
		The following balances at 31 March were held at:		
66	66	Government Banking Service	37	37
70	70	Commercial banks and cash in hand	95	95
1,155	-	Endowment cash	931	-
1,291	**136**	**Balance at 31 March**	**1,063**	**132**

Note 12 Trade and Other Payables

Consolidated 2023 £000	Board 2023 £000		Note	Consolidated 2024 £000	Board 2024 £000
		Payables due within one year NHS Scotland			
20,078	20,078	Boards	SFR 30	23,598	23,598
20,078	**20,078**	**Total NHS Scotland Payables**		**23,598**	**23,598**
1,606	1,606	NHS Non-Scottish bodies		1,669	1,669
13,338	13,338	FHS Practitioners		13,993	13,993
2,882	2,882	Trade Payables		4,204	4,204
32,181	32,161	Accruals		25,989	25,958
1,732	1,732	Deferred income		1,319	1,319
81	81	Payments received on account		41	41
0	0	Interest payable		0	0
5,172	5,172	Net obligations under Finance Leases	17b	5,103	5,103
2,661	2,661	Net obligations under PPP / PFI Contracts	18	4,008	4,008
0	0	Bank overdrafts		0	0
10,616	10,616	Income tax and social security		11,616	11,616
8,221	8,221	Superannuation		9,537	9,537
7,869	7,869	Holiday Pay Accrual		5,586	5,586
25,269	25,269	Other public sector bodies		30,377	30,377
11,225	11,225	Other payables		8,533	8,533
0	0	Other significant payables (pay accrual)		1,439	1,439
299	299	Other significant payables - Pension Contribution to local Gvt Pension Scheme		338	338
123,152	**123,132**	**Other payables due within one year**		**123,752**	**123,721**
143,230	**143,210**	**Total payables due within one year**	SoFP	**147,350**	**147,319**
3,472	3,472	Net obligations under Finance Leases due within 2 years	17b	2,530	2,530
7,570	7,570	Net obligations under Finance Leases due after 2 years but within 5 years	17b	7,068	7,068
9,515	9,515	Net obligations under Finance Leases due after 5 years	17b	10,103	10,103
2,937	2,937	Net obligations under PPP / PFI Contracts due within 2 years	18	3,387	3,387
4,947	4,947	Net obligations under PPP / PFI Contracts due after 2 years but within 5 year	18	8,211	8,211
12,294	12,294	Net obligations under PPP / PFI Contracts due after 5 years	18	18,008	18,008
3,349	3,349	Other payables		10,143	10,143
44,084	**44,084**	**Total payables due after more than one year**	SoFP	**59,450**	**59,450**
187,314	**187,294**	**Total payables**		**206,800**	**206,769**

Note 13 a. Provisions - Consolidated and Board

	Pensions & similar obligations	Clinical & Medical Legal Claims against NHS	Participation in CNORIS	Other (non-endowment)	Total 2024
	£000	£000	£000	£000	£000
At 1st April 2023	6,758	14,461	36,446	176	57,841
Arising during the year	912	5,376	2,750	566	9,604
Utilised during the year	(636)	(10,961)	(1,898)	(522)	(14,017)
Unwinding of discount	(405)	-	-	-	(405)
Reversed unutilised	(20)	-	-	(18)	(38)
At 31st March 2024	**6,609**	**8,876**	**37,298**	**202**	**52,985**

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

	Pensions & similar obligations	Clinical & Medical Legal Claims against NHS	Participation in CNORIS	Other (non-endowment)	Total 2024
Payable in one year	793	8,239	9,324	200	18,556
Payable between 1 - 5 years	2,009	637	22,677	2	25,325
Payable between 6 - 10 years	3,115	-	1,940	-	5,055
Thereafter	692	-	3,357	-	4,049
At 31st March 2024	**6,609**	**8,876**	**37,298**	**202**	**52,985**

Note 13 a. Provisions - Consolidated and Board Prior Year

	Pensions & similar obligations	Clinical & Medical Legal Claims against NHS	Participation in CNORIS	Other (non-endowment)	Total 2023
	£000	£000	£000	£000	£000
At 31st March 2022	9,527	17,186	33,010	300	60,023
Arising during year	345	6,802	6,134	133	13,414
Utilised during year	(606)	(4,352)	(2,698)	(236)	(7,892)
Unwinding during year	(2,161)	-	-	-	(2,161)
Reversed unutilised	(347)	(5,175)	-	(21)	(5,543)
At 31st March 2023	**6,758**	**14,461**	**36,446**	**176**	**57,841**
Payable in one year	924	5,132	9,099	176	15,331
Payable between 1 - 5 years	1,863	2,080	22,168	-	26,111
Payable between 6 - 10 years	1,788	2,246	1,886	-	5,920
Thereafter	2,183	5,003	3,293	-	10,479
At 31st March 2023	**6,758**	**14,461**	**36,446**	**176**	**57,841**

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.45% (1.7% 2022/23) in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years. Please also see accounting policies.

Clinical & Medical Legal Claims against NHS Board

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

Other (non-endowment)

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

	Note	2023 £000	2024 £000
Provision recognising individual claims against the NHS Board as at 31 March	13a	14,637	9,078
Associated CNORIS receivable at 31 March	9	(14,313)	(8,565)
Provision recognising the NHS Board's liability from participating in the scheme	13a	36,446	37,298
Net Total Provision relating to CNORIS at 31 March		**36,770**	**37,811**

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

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

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

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

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

Note 14 Contingent Liabilities

The following contingent liabilities have not been provided for in the accounts;

2023 £000		2024 £000
2,673	Clinical and medical compensation payments	3,022
196	Employer's liability	283
15	Third party liability	15
2,884	**Total Contingent Liabilities**	**3,320**
2,243	Clinical and medical compensation payments	2,541
45	Employer's liability	127
0	Third party liability	0
2,288	**Total Contingent Assets**	**2,668**

Note 15 Events After the End of the Reporting Year

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

Note 16 Capital Commitments

The Board has the following capital commitments which have **not** been provided for in the accounts

2023 £000		2024 £000
500	National Treatment Centre (Highland)	-
4,950	Increased Hospital/Community Capacity	0
2,500	Grantown Health Centre Refurbishment	500
2,820	Portree/Broadford HC Spoke Reconfiguration	-
10,770	**Total Capital Commitments**	**500**
	Authorised but not Contracted	
6,051	Radiotherapy	11,812
94,400	Belford Hospital replacement Fort William	94,400
48,500	Caithness Redesign Project	48,500
148,951	**Total Authorised but not Contracted**	**154,712**

Note 17a Right of Use Assets

Total future minimum payments under leases are stated below

	Buildings £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	2024 £000
Cost or valuation					
At 1 April 2023	66,577	685	6,150	1,112	74,524
Additions (include new dilapidation provisions)	1,395	(76)	1,992	1,740	5,051
Revaluations	139	-	-	-	139
Disposals	(700)	(21)	(2,131)	(618)	(3,470)
Disposals - Peppercorn leases	(405)	-	-	-	(405)
At 31 March 2024	**67,006**	**588**	**6,011**	**2,234**	**75,839**
Depreciation					
At 1 April 2023	4,030	105	1,710	634	6,479
Provided during the year (include dilap provisions)	2,757	133	2,035	432	5,357
Provided during the year - peppercorn leases	792	-	-	171	963
Revaluations	115	-	-	-	115
Disposals	(725)	(22)	(1,576)	(618)	(2,941)
Disposals - Peppercorn leases	(395)	-	-	-	(395)
At 31 March 2024	**6,574**	**216**	**2,169**	**619**	**9,578**
Net book value at 1 April 2023	**62,547**	**580**	**4,440**	**478**	**68,045**
Net book value at 31 March 2024	**60,432**	**372**	**3,842**	**1,615**	**66,261**

Note 17a Right of Use Assets - PRIOR YEAR

	Buildings	Dwellings	Transport Equipment	Plant & Machinery	2023
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2022	65,139	580	5,989	1,143	72,851
Additions (include new dilapidation provisions)	950	105	657	-	1,712
Additions - peppercorn leases	325	-	-	-	325
Revaluations	163	-	-	-	163
Disposals	-	-	(496)	(31)	(527)
At 31 March 2023	**66,577**	**685**	**6,150**	**1,112**	**74,524**
Depreciation					
At 1 April 2022	-	-	-	-	-
Provided during the year (include dilap	3,034	105	2,206	473	-
Provided during the year - peppercorn leases	872	-	-	192	5,818
Asset Transfers (to) / from other SG Consolidati	-	-	-	-	1,064
Revaluations	124	-	-	-	-
Revaluations - Peppercorn leases	-	-	-	-	124
Disposals	-	-	(496)	(31)	-
Disposals - Peppercorn leases	-	-	-	-	(527)
At 31 March 2023	**4,030**	**105**	**1,710**	**634**	**6,479**
Net book value at 1 April 2022	**65,139**	**580**	**5,989**	**1,143**	**72,851**
Net book value at 31 March 2023	**62,547**	**580**	**4,440**	**478**	**68,045**

Note 17b Lease Liabilities

	Buildings	Dwellings	Transport Equipment	Plant & Machinery	2024
	£000	£000	£000	£000	£000
Amounts falling due:					
Not later than one year	2,917	100	1,808	278	5,103
Later than one year, not later than 2 years	1,748	(9)	485	306	2,530
Later than two year, not later than five years	5,456	96	1,253	263	7,068
Later than five years	8,883	185	150	885	10,103
Less: Unaccrued interest	-	-	-	-	-
At 31 March 2024	**19,004**	**372**	**3,696**	**1,732**	**24,804**

Note 17b Lease Liabilities - PRIOR YEAR

	Buildings	Dwellings	Transport Equipment	Plant & Machinery	2023
	£000	£000	£000	£000	£000
Amounts falling due:					
Not later than one year	2,879	119	2,009	165	5,172
Later than one year, not later than 2 years	2,367	67	906	132	3,472
Later than two year, not later than five years	5,984	154	1,319	113	7,570
Later than five years	9,208	242	55	10	9,515
At 31 March 2023	**20,438**	**582**	**4,289**	**420**	**25,729**

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2024	2024
	Consolidated £000	Board £000
Depreciation	6,323	6,323
Interest Expense	342	342
Total	**6,665**	**6,665**

Amounts recognised in the Statement of Cash Flows

	2024	2024
	Consolidated £000	Board £000
Interest Expense	342	342
Repayments of Principal of leases	5,403	5,403
Total	**5,745**	**5,745**

18b Commitments under PFI Contracts on Balance Sheet

New Craigs start date July 2000 ending June 2025. The Scheme is a replacement for the Craig Dunain Hospital, Inverness and provides In Patients facilities for adults with Mental Health needs or Learning Disability. There is a twenty five year contract with an original estimated capital value of £14.4 million.

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

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

2023	Gross Minimum Lease Payments	Note	New Craigs	Easter Ross	Mid Argyll	Tain HC Hub	2024
£000			£000	£000	£000	£000	£000
4,192	Rentals due within 1 year		1,923	1,202	2,310	463	5,898
4,195	Due within 1 to 2 years		961	1,203	2,310	466	4,940
7,608	Due within 2 to 5 years		-	3,608	6,928	1,408	11,944
16,174	Due after 5 years		-	1,002	16,551	4,853	22,406
32,169	**Total**		**2,884**	**7,015**	**28,099**	**7,190**	**45,188**
	***Less* Interest Element**						
(1,531)	Rentals due within 1 year		(251)	(285)	(1,013)	(341)	(1,890)
(1,258)	Due within 1 to 2 years		(37)	(237)	(948)	(331)	(1,553)
(2,661)	Due within 2 to 5 years		-	(403)	(2,415)	(915)	(3,733)
(3,880)	Due after 5 years		-	(23)	(2,637)	(1,738)	(4,398)
(9,330)	**Total**		**(288)**	**(948)**	**(7,013)**	**(3,325)**	**(11,574)**
	Present value of minimum lease payments						
2,661	Rentals due within 1 year	12	1,672	917	1,297	122	4,008
2,937	Due within 1 to 2 years	12	924	966	1,362	135	3,387
4,947	Due within 2 to 5 years	12	-	3,205	4,513	493	8,211
12,294	Due after 5 years	12	-	979	13,914	3,115	18,008
22,839	**Total**		**2,596**	**6,067**	**21,086**	**3,865**	**33,614**
	Service elements due in future periods						
6,804	Rentals due within 1 year		4,117	451	638	85	5,291
5,784	Due within 1 to 2 years		2,105	467	654	82	3,308
10,659	Due within 2 to 5 years		-	1,500	2,060	232	3,792
26,078	Due after 5 years		-	444	5,586	649	6,679
49,325	**Total**		**6,222**	**2,862**	**8,938**	**1,048**	**19,070**
72,164	**Total Commitments**		**8,818**	**8,929**	**30,024**	**4,913**	**52,684**

Amounts charged to the Statement of Comprehensive Net Expenditure in respect of on balance sheet PFI transactions comprises:

2023		2024
£000		£000
1,776	Interest Charges	2,218
5,553	Services Charges	5,141
2,415	Principle Repayment	3,673
31	Other Charges	15
9,775		**11,047**

2023		2024
£000		£000
31	Contingent Rents (including other charges)	**15**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2024

19 PENSION COSTS

IAS 19 Multi-employer plans

a) The Board participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016 and confirmed that an increase in the employer contribution rate from 14.9% to 20.9% was required from 1 April 2019 to 31 March 2023. The UK Government has confirmed that these rates will remain in place until 31 March 2024. Member pension contributions have continued at the same rates within a range of 5.2% to 14.7% and are anticipated to deliver a yield of 9.6%.

   The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 October 2023 have been paid within a range of 5.7% to 13.7% and have been anticipated to deliver a yield of 9.8%.

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

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

d)

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

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

   iii. The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

   iv. While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sergeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will

take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

v. The Board's level of participation in the scheme is 4.9% based on the proportion of employer contributions paid in 2022/23.

Description of schemes

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2023/24 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

National Employment Savings Trust (NEST)

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

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

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

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

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

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

	2024	**2023**
	£000	**£000**
Pension cost charge for the year	79,208	71,588
Additional costs arising from early retirement		
Pension cost in year of staff transferred from Highland Council	1,017	1,347
Provisions/Liabilities/Pre-payments included in the SoFP	739	6,662

PENSION COSTS FOR STAFF TRANSFERRED FROM HIGHLAND COUNCIL

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

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

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

The Highland Council recognises the liability of the Pension Fund at 31 March 2012 attributable to these NHS Highland staff in The Highland Council accounts.

NHS Highland recognises the gain in the Fund for the year from 1 April 2023 to 31 March 2024 of £6.368m, giving a total asset to 31st March 2024 of £1.356m (total to 31st March 2023 Liability of £5.012m). This is included in two parts in NHS Highland's accounts:

a) £44.796m of realised deficit in SOCNE which has been covered by funding from Scottish Government and

b) £46,153m of unrealised gains due to actuarial assumptions which is recorded as other Comprehensive Net Expenditure and offset against Reserves in the SoFP.

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

	2024 £000	2023 £000
Current Service cost	3,871	6,897
Interest Cost	3,594	2,890
Interest Income	(3,355)	(1,911)
IAS 19 charge to service costs	**4,110**	**7,876**
Financial Assumptions Gain / (loss)	7,107	34,289
Gain / (loss) through other comprehensive net expenditure	7,107	34,289

The current assets and liabilities are made up of:

Present Value of the Scheme Liabilities		
Opening defined benefit obligation	74,370	104,057
Current Service Cost	3,871	6,897
Interest Cost	3,594	2,890
Change in financial assumptions	(3,048)	(44,109)
Estimated benefits paid	(2,496)	(1,645)
Changes in demographic assumptions	(492)	(632)
Other experience	4,084	5,997
Contributions by scheme participants	934	915
Closing Value	80,817	74,370

Fair Value of the Scheme Assets	
Opening Fair Value of scheme assets	69,822
Expected return on scheme assets	7,010
Interest Income	3,355
Contributions by employer	2,907
Contributions by Scheme participants	934
Other Experience	641
Estimated benefits paid (net of transfers in)	(2,496)
Closing value	82,173

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

The total contributions expected to be made to The Highland Council Pension Scheme by NHS Highland in the year to 31 March 2025 is £2.678m.

Basis for estimating assets and liabilities of the Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2024.

The principal actuarial assumptions adopted as at 31 March 2024 are as follows:

	2024	**2023**
(a) Long term expected rate of return on assets in the scheme	2.80%	2.95%
(b) Life expectancy from age 65 (years)		
Retiring today:		
Males	20.3	20.4
Females	23.4	23.1
Retiring in 20 years:		
Males	21.4	21.6
Females	25	25
(c) Financial assumptions		
Rate of increase in salaries	3.60%	3.75%
Rate of increase in pensions (CPI)	2.80%	2.95%
Rate of discounting scheme liabilities	4.80%	4.75%
Take up of option to convert annual pension into retirement lump sum	65%	50%
(d) The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held		
Securities		29%
Debt Securities		14%
Private Equity		7%
Real Estate		9%
Investment Funds & Unit Trusts		35%
Cash		6%
Total		100%

Note 20 **Retrospective Restatements**
Opening balances have not been restated but adjustments to opening balances were required for the transition to IFRS 16.

		Dr. £000	Cr. £000
Adjustment 1	The Board adopted IFRS 16 Leases effective from 1 April 2022. PFI's indexed capital amounts were implemented in 2324. As a result of these changes to PFI's adjustments were made to the opening balances as follows	-	-
Adjustment 2	PFI lease liability	-	(14,448)
Adjustment 3	General Fund Revaluation reserve	14,448	-
Adjustment 4	Note 0	-	-

Note 21 **Restated Primary Statements**
There have been no restated primary statements in these accounts

Note 22 a **Financial Instruments - Financial Assets and Liabilities**

2023 £000		Note	Financial assets at Fair Value: through Other Comp Income £000	through Profit & Loss £000	2024 £000
	Financial Assets - Consolidated				
8,297	Investments	10	-	9,606	9,606
80,404	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	102,402	-	102,402
1,291	Cash and cash equivalents	11	1,063	-	1,063
89,992	**Financial Assets per Balance Sheet**		**103,465**	**9,606**	**113,071**
	Financial Assets - Board				
101	Investments	10	-	385	385
80,750	prepayments, reimbursements of provisions and VAT recoverable.	9	102,675	-	102,675
136	Cash and cash equivalents	11	132	-	132
80,987	**Financial Assets per Balance Sheet**		**102,807**	**385**	**103,192**

2023 £000	Financial Liabilities - Consolidated	Note	Financial liabilities at amortised cost		2024 £000
25,729	Finance lease liabilities	12		24,804	24,804
22,839	PFI Liabilities	12		33,614	33,614
98,099	Trade and other payables excluding statutory liabilities	12		102,312	102,312
146,667	**Financial Liabilities per Balance Sheet**		**-**	**160,730**	**160,730**
	Financial Liabilities - Board				
25,729	Finance lease liabilities	12		24,804	24,804
22,839	PFI Liabilities	12		33,614	33,614
98,079	Trade and other payables excluding statutory liabilities	12		102,281	102,281
146,647	**Financial Liabilities per Balance Sheet**		**-**	**160,699**	**160,699**

Note 22 b **Financial Risk Factors**

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

Credit Risk: The possibility that other parties might fail to pay amounts due.

Liquidity Risk: The possibility that the NHS Board might not have funds available to meet its commitments to make payments.

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

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

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

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

Liquidity Risk

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

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

Liquidity	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AS AT 31 MARCH 2024	**£000**	**£000**	**£000**	**£000**
PFI Liabilities	5,898	4,940	11,944	22,406
Trade and other payables excluding statutory liabilities	92,169	678	2,137	7,327
Total	**98,067**	**5,618**	**14,081**	**29,733**
At 31 March 2023				
PFI Liabilities	4,193	4,195	7,608	16,176
Trade and other payables excluding statutory liabilities	94,750	354	1,036	1,960
Total	**98,943**	**4,549**	**8,644**	**18,136**

Market Risk

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

i. Cash flow and fair value interest rate risk

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

ii. Foreign Currency and Price Risks

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

Note 22 c Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

Note 23 Derivative Financial Instruments - Consolidated and Board

The Board has no transactions of this type.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2024

24 RELATED PARTY TRANSACTIONS

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

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

NHS Grampian

NHS Greater Glasgow and Clyde

NHS National Services Scotland

NHS National Education for Scotland

NHS National Waiting Times Centre Board (Golden Jubilee NWTC)

NHS Western Isles

NHS Lothian

NHS Tayside.

Integrated Adult services

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

In 2023/24 NHS Highland has the following transactions with Highland council:

	2024 £'000	2023 £'000
Income	148,424	138,791
Expenditure	12,220	11,943
Payables	6,359	11,909
Receivables	27,834	17,262

Argyll & Bute IJB

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

In 2023/24 NHS Highland has the following transactions with Argyll & Bute IJB:

	2024 £'000	**2023 £'000**
Income	272,722	252,943
Expenditure	291,773	260,462
Payables	16,490	11,984

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

Reconciliation to IJB Accounts	
	£000s
Income to NHS Highland from A&B IJB	272,722
Cost of Services per IJB accounts	265,718
Difference	**7,004**
Being items recorded in the social work element of the IJB accounts (but funded by NHS Highland):	
Resource Transfer to A&B Council	5,542
Agreed budget transfer to A&B Council for ASC	1,462
	7,004

NHS Highland Endowments

The trustees of the Highland Health Board Endowment fund are all members of NHS Highland Board. As a result the Endowment fund accounts are consolidated with the NHS Highland Accounts. All trustees are listed in the remuneration report on P67.

Note 25 Third Party Assets

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

	2023	Gross Inflows	Gross Outflows	2024
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	3,282	3,972	(3,247)	4,007

Note 26 Consolidated Statement of Comprehensive Net Expenditure

2023 Group			2024 Board	2024 Endowment	2024 Intra Group Adjustment	2024 IJB	2024 Group
£000		Note	£000	£000	£000	£000	£000
	Total income and expenditure						
553,431	Employee expenditure	3a	605,201				605,201
	Other operating expenditure						
107,190	Independent Primary Care Services	3b	110,221				110,221
148,906	Drugs and medical supplies		165,974				165,974
671,486	Other health care expenditure		713,549	896	(355)		714,090
1,481,013	**Gross expenditure for the year**		**1,594,945**	**896**	**(355)**	**-**	**1,595,486**
(475,996)	Less: operating income	4	(511,149)	(1,330)	355		(512,124)
2,130	Associates and joint ventures accounted for on an equity basis					(1,444)	(1,444)
				- -		-	
1,007,147	**Net expenditure for the year**		**1,083,796**	**(434)**	**-**	**(1,444)**	**1,081,918**

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

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

Note 26 Consolidated Statement of Financial Position

2023 Group			2024 Board	2024 Endowment	2024 Intra Group Adjustment	2024 IJB	2024 Group
£000			£000	£000	£000	£000	£000
477,994	Property, plant and equipment	SOFP	494,925	-	-	-	494,925
2,262	Intangible assets		2,478	-	-	-	2,478
68,045	Right of Use assets	SOFP	66,261	-	-	-	66,261
-	Financial assets:		-	-	-	-	
8,297	Investments	SOFP	385	9,221	-	-	9,606
8,495	Investments in associates and joint ventures		-	-	-	9,939	9,939
58,030	Trade and other receivables	SOFP	62,713	-	-	-	62,713
623,123	**Total non-current assets**		**626,762**	**9,221**	**-**	**9,939**	**645,922**
	Current Assets						
8,023	Inventories	SOFP	8,563	-	-	-	8,563
-	Financial assets:		-	-	-	-	
53,837	Trade and other receivables	SOFP	64,060	11	(284)	-	63,787
1,291	Cash and cash equivalents	SOFP	132	931	-	-	1,063
63,151	**Total current assets**		**72,755**	**942**	**(284)**	**-**	**73,413**
686,274	**Total assets**		**699,517**	**10,163**	**(284)**	**9,939**	**719,335**
	Current Liabilities						
(15,331)	Provisions	SOFP	(18,556)	-	-	-	(18,556)
-	Financial liabilities:		-	-	-	-	
(143,230)	Trade and other payables	SOFP	(147,319)	(315)	284	-	(147,350)
-	Derivatives financial liabilities		-	-	-	-	-
(158,561)	**Total current liabilities**		**(165,875)**	**(315)**	**284**	**-**	**(165,906)**
							-
527,713	**Non-current assets less net current liabilities**		**533,642**	**9,848**	**-**	**9,939**	**553,429**
	Non-current Liabilities						
(42,510)	Provisions	SOFP	(34,429)	-	-	-	(34,429)
-	Financial liabilities:		-	-	-	-	
(44,084)	Trade and other payables	SOFP	(59,450)	-	-	-	(59,450)
(86,594)	**Total non-current liabilities**		**(93,879)**	**-**	**-**	**-**	**(93,879)**
441,119	**Assets less liabilities**		**439,763**	**9,848**	**-**	**9,939**	**459,550**
	Taxpayers' Equity						
209,755	General fund	SoFP	206,680	-	-	-	206,680
130,782	Revaluation reserve	SoFP	142,135	-	-	-	142,135
83,102	Other reserves	SoFP	90,948	-	-	-	90,948
8,495	Other reserves - joint venture	SoFP	-	-	-	9,939	9,939
8,985	Funds Held on Trust	SoFP	-	9,848	-	-	9,848
441,119	**Total taxpayers' equity**		**439,763**	**9,848**	**-**	**9,939**	**459,550**

Note 26c **Consolidated Statement of Cash Flows**

2023 Consolidated		2024 Board	2024 Endowment	2024 Intra Group Adjustment	2024 IJB	2024 Consolidated
£000	**Cash flows from operating activities**	£000	£000	£000	£000	£000
(1,007,147)	Net operating cost	(1,083,796)	434	-	1,444	(1,081,918)
78,549	Adjustments for non-cash transactions	37,233	(15)	-	(1,444)	35,774
4,306	Add back: interest payable recognised in net operating cost	2,965	-	-	-	2,965
(6)	Deduct: interest receivable recognised in net operating cost	(17)	-	-	-	(17)
-	Investment income	-	-	-	-	
(46,093)	Movements in working capital	(4,871)	(70)	-	-	(4,941)
(970,391)	**Net cash outflow from operating activities**	**(1,048,486)**	**349**	**-**	**-**	**(1,048,137)**
	Cash flows from investing activities					
(38,853)	Purchase of property, plant and equipment	(31,261)	-	-	-	(31,261)
(1,145)	Purchase of intangible assets	(914)	-	-	-	(914)
(607)	Investment Additions	(290)	(986)	-	-	(1,276)
-	Transfer of assets to/(from) other NHS bodies	-	-	-	-	-
181	Proceeds of disposal of property, plant and equipment	24	-	-	-	24
-	Proceeds of disposal of intangible assets	-	-	-	-	-
773	Receipts from sale of investments	-	398	-	-	398
6	Interest received	17	-	-	-	17
(39,645)	**Net cash outflow from investing activities**	**(32,424)**	**(588)**	**-**	**-**	**(33,012)**
	Cash flows from financing activities					
1,023,258	Funding	1,092,996	-	-	-	1,092,996
-	Movement in general fund working capital	-	-	-	-	-
1,023,258	Cash drawn down	1,092,996	-	-	-	1,092,996
(2,585)	Capital element of payments in respect of leases and on-balance sheet PFI contracts	(9,110)	-	-	-	(9,110)
(5,975)	IFRS 16 - 2022-23 cash lease payment	-	-	-	-	-
(2,161)	Interest paid	(405)	-	-	-	(405)
(2,145)	Interest element of leases and on-balance sheet PFI / PPP contracts	(2,560)	-	-	-	(2,560)
1,010,392	**Net Financing**	**1,080,921**	**-**	**-**	**-**	**1,080,921**
356	Net Increase / (decrease) in cash and cash equivalents in the period	11	(239)	-	-	(228)
935	Cash and cash equivalents at the beginning of the period	121	1,170	-	-	1,291
1,291	**Cash and cash equivalents at the end of the period**	**132**	**931**	**-**	**-**	**1,063**
	Reconciliation of net cash flow to movement in net debt/cash					
356	Increase / (decrease) in cash in year	11	(239)	-	-	(228)
935	Net debt / cash at 1 April	121	1,170	-	-	1,291
1,291	**Net debt / cash at 31 March**	**132**	**931**	**-**	**-**	**1,063**

DIRECTIONS BY THE SCOTTISH MINISTERS

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

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

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

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

   (a) The NHS Scotland Capital Accounting Manual,

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

   (c) The Scottish Public Finance Manual.

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

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

6. In these Directions –

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

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

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

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

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

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

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

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated 22 March 2022