



Grampian Health Board

Annual Report and Accounts

2021 - 2022

NHS

Grampian

GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2022

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ANNUAL REPORT PERFORMANCE REPORT a) OVERVIEW

1. Purpose

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

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

2. Statement from the Chief Executive

Looking back on 2021/22 and my first full year as the Chief Executive, I am proud of the response we have had from our colleagues, partners and the public during an exceptional period of uncertainty and challenge for us all.

I am extremely grateful for everything that people in communities across Grampian have done and continue to do to support NHS Grampian and all those providing care services on our behalf. We are also thankful for the patience, kind messages and thanks shown, which has lifted our colleagues during a very busy and difficult time. However, I know the impact this year has had – and continues to have - on everyone, and my focus will remain on this.

I would like to express my thanks and appreciation to all colleagues for their outstanding contributions and for their relentless professionalism. The care and compassion shown to people in our care and to colleagues has been exemplary, as we have addressed the enduring system pressures and other challenges we have faced. Two examples of this are the enthusiasm and commitment in rolling out the largest mass vaccination programme in a generation and supporting communities impacted by the three storms that arrived in the Grampian area this winter.

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

The impact of COVID-19 has been enduring and we have required to take exceptional steps to protect the public and meet continued surges in activity, whilst sustaining changes to the way we provide access to our health and social care services. Many of these changes have been very difficult and affected colleagues, people in receipt of our services and the wider public. We are truly sorry that some people have had to wait longer for the care they need, to allow colleagues to care for those most unwell and who have most needed our help during this time. I do not underestimate the impact this is having and we are working as hard as we can to address this.

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

2. Statement from the Chief Executive (cont)

The changes made have meant colleagues have had to work very differently. We still have significant challenges to face but we are committed to recover and rebuild by doing more of what worked well before and during COVID-19. Over the last 12 months we have had an overwhelming response to the consultation and engagement on our new Plan for the Future – 2022-2028. Together with our colleagues, partners and the public we are committed to planning for a better future, recovery from the impact of COVID-19 and transforming our services in support of the delivery of safe, high quality, person-centred and sustainable health services over the next five years and beyond.

Despite the challenges the last 24 months have presented, I remain optimistic about the opportunities for the future and the development of the new strategic plan will ensure our key outcomes are aligned to the NHS Scotland Recovery Plan and create the robust foundations required for the ongoing delivery of our medium and longer term ambitions.

Continuing to respond to COVID-19 will be a factor for the foreseeable future and we are redesigning our services to ensure that we can continue to meet the health and social care needs of our population and provide a safe environment for our staff and most vulnerable patients. Many of the changes that we have already made will provide a greater level of care in our communities and build on the excellent foundations established through the integration of health and social care and as we prepare for the introduction of the National Care Service.

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

It is a privilege to be the Chief Executive at this time and I am incredibly grateful for your support and in particular the way everyone has worked together to meet the challenges of this pandemic.

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

Professor Caroline Hiscox

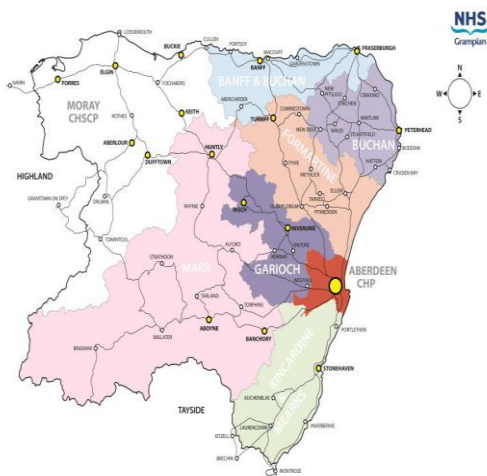
**Professor Caroline Hiscox
Chief Executive**

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

3. Background and Principal Activities

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



17,000 directly employed staff and a range of independent primary care practices (69 General Medical, 132 Pharmacy, 92 Dental and 54 Opticians) provide the full range of primary, community and specialist health services to the over half-million people who live in Grampian. Services are provided at over 100 locations and where possible in people's own homes across an area covering 3,000 square miles of city, town and village and rural communities.

We are the fourth largest health board in Scotland by general funding allocation. A new operating model aimed at strengthening integration between hospital and community based services was introduced in shadow form in April 2021 and subsequently endorsed by the Board in August 2021. Services are delivered based on a portfolio management structure covering Family services, Surgical and Clinical Support Services, Medical and Unscheduled Care, Mental Health and wellbeing, Public Health and services in Moray. The portfolio arrangements also include, a range of Primary and Community Care services delegated to the three Integration Joint Boards (IJBs) covering Aberdeen City, Aberdeenshire and Moray. All our direct clinical services are supported by corporate functions such as Facilities, E-Health, Finance and Human Resources. The IJBs are legally constituted cross-sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities.



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

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

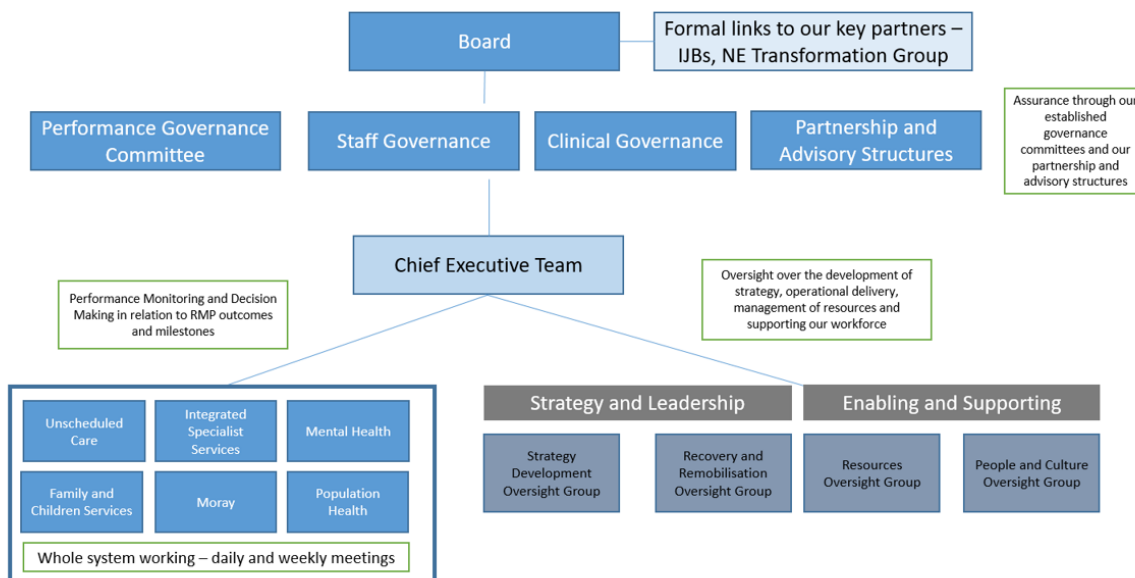
4. Responding to COVID-19

At the end of the last financial year, the Board exited from Operation Snowdrop which was in place throughout the period January to March 2021 as the NHS responded to the second significant COVID-19 wave. In line with the national guidance, the focus of our response in the first six months of the year following Operation Snowdrop were on the following as reflected in Remobilisation Plan (v3) approved by the Board in June 2021.

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

Source: Remobilisation Plan (v3)

The governance structure within NHS Grampian has been adapted and changed to reflect the level of response to the pandemic as determined nationally and in relation to the NHS Grampian civil contingency plan. These governance arrangements established the framework for direction and decision making, escalation, advice and communication within the various facets of NHS Grampian and in partnership with Integration Joint Boards, Local Authority and other statutory partners. As noted above NHS Grampian provided regular remobilisation plans and reporting to the Scottish Government via the agreed mechanisms. The governance arrangements during the last 12 months can be summarised as follows :



Source: Remobilisation Plan (v4)

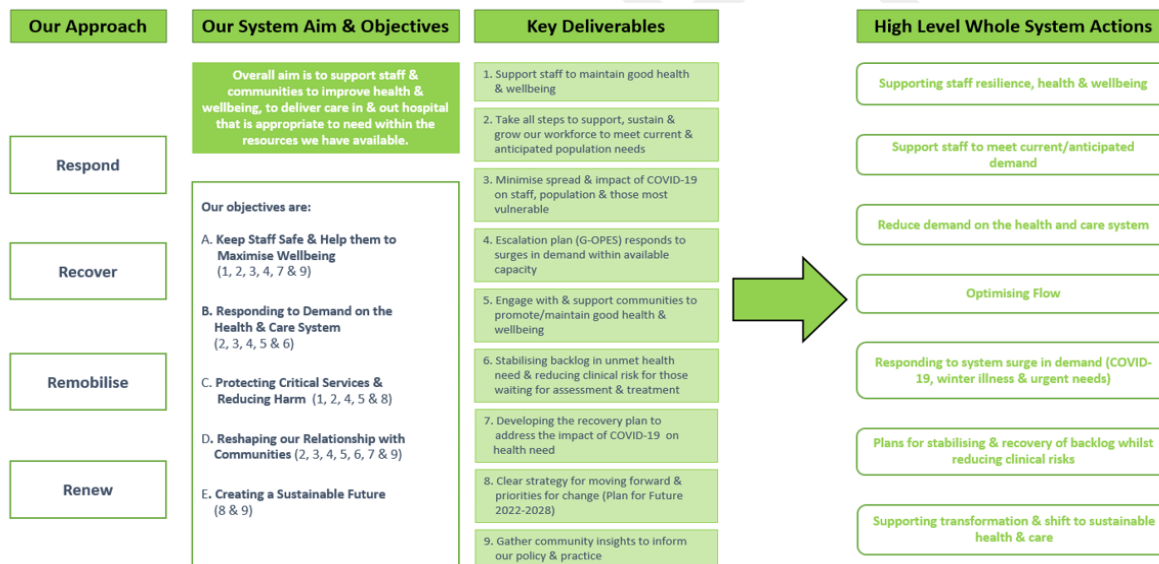
The latest Remobilisation Plan (v4) approved by the Board in December 2021 set out the whole system overarching plan for the delivery of health and social care services and how we have worked with our staff, our partner organisations and the public specifically over the final six-month period of the year in response to the system pressures on the health and care system and the further variants of COVID-19.

PERFORMANCE REPORT (cont)h

a) OVERVIEW (cont)

4. Responding to COVID-19 (cont)

Our approach continues to be based on the four pillars (Respond, Recover, Remobilise and Renew) which we have aligned to five NHS Grampian system wide objectives and the NHS Scotland Recovery Plan. An overview is noted below:



The Covid-19 vaccination programme has been a crucial part of our response to the pandemic and has helped to protect Grampian's population from Covid-19. It is the largest vaccination programme that we have ever carried out and was delivered under challenging circumstances with our team having to often respond quickly to new advice.

Our programme was reliant on temporary staff and volunteers and a robust education programme. Vaccinators consisted of Nurses, GPs, Dentists, Optometrists, Pharmacists, Allied Health Professionals, Healthcare Students and Healthcare Support Workers (HCSWs). This diverse workforce enabled us to deliver our programme at pace during the pandemic and work is ongoing to continue to build a sustainable service with a substantive workforce to continue to protect our population

During 2021-22 we administered 990,238 covid-19 vaccine doses within Grampian which included successfully accelerating the programme to offer our whole adult population a booster dose by the 31st December 2021.

Despite our high uptake of Covid-19 vaccines overall, there was variation in uptake between different groups of the population and we worked with partners across our system to increase uptake and reduce vaccine hesitancy. We delivered vaccines in a range of locations across Grampian to reach as many people as possible and our approaches have been shared nationally as good practice.

PERFORMANCE REPORT (cont)h

b) OVERVIEW (cont)

5. Risk and Uncertainty

During 2021/22 the Board and the NHS more widely faced the unprecedented challenge of continuing to respond to COVID-19, to roll out the largest scale mass vaccination programme in a generation and to provide access to a full range of services, within the capacity available. The challenge for the Board was to manage our risks in a way that ensured the continued delivery of critical and protected clinical services and fulfilled the key operational objectives set out above and reflected in our remobilisation plan.

As required by the Scottish Government, the Board developed two further remobilisation plans – Remobilisation Plan (v3) and (v4) which were approved at respective Board meetings in June 2021 and December 2021. These plans were developed following consultation and engagement with clinical services, staff, Integration Joint Boards and other key partners as part of a whole system response.

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

The risk plan submitted in the most recent remobilisation plan (December 2021) is set out on pages 8 to 10 below. The ongoing review and development of the Board's strategic Risk Register is a dynamic process subject to ongoing review and development and the most recent version supporting NHS Grampian's new Strategy – Plan for the Future 2022-2028 was approved by the Board on 2 June 2022. This can be accessed at the following link https://www.nhsgrampian.org/about-us/planforthefuture/how-we-will-do-it/who-will-support-our-journey/strategic_risk/

The Board's risk management processes are covered in more detail in the Governance Statement on pages 57 to 60.

NHS Grampian Risk Plan included with RMP4

Title	Risk	Mitigating action
Vaccine programme	Because there is a lack of certainty around the new vaccination programme funding there may be insufficient capacity to deliver the programme beyond April 2022, which could result in patients not receiving vaccines, increased infection within the community with resultant increased demand upon system capacity and delivery.	The NHS Grampian Vaccinations Programme Board have developed a plan for the delivery of a whole system vaccination programme. This will form the basis of ongoing discussions with the Scottish Government Health and Social Care Directorate regarding the direction of the future vaccination programme and operational delivery model.

NHS Grampian Risk Plan included with RMP4 (cont)

Title	Risk	Mitigating action
Health & social care staff recruitment	Should we be unable to recruit community health and social care staff to vacancies, particularly in advance of winter, we may not have the capacity to respond to increased presentations which could lead to poor and unsafe levels of direct care for vulnerable individuals.	As set out in the plan we have vacancies in a number of key clinical services and locations which is impacting on capacity. We have however made offers to all newly qualified nurses, continued with additional junior doctors recruited in 2020 rotation and have enhanced capacity in our recruitment teams, in addition to streamlining our processes and on-boarding.
Restrictions on capacity	Because of continuing restrictions on our capacity (COVID-19, legislation, clinical guidelines) we may be unable to remobilise to the extent required to achieve demand / capacity balance and backlog recovery, which could lead to long-term harm or poorer outcomes for patients and low morale for staff.	We will continue to operate in accordance with the relevant COVID-19 and clinical guidance to maintain safe environments for our staff and patients. It is likely that the ability to source workforce will be a greater limiting factor than the ability to increase physical infrastructure capacity. Our Grampian Operational Escalation System will support the decisions we require to take as surges in demand present across the entire health and social care system.
Workforce pressures	As a result of the demands facing our workforce and the continued gaps in certain key areas we may be unable to meet health and social care demand as currently planned and delivered, which could lead to loss of staff and missed opportunity to change and redesign.	This plan sets out the approach we will take during the next 6 months to respond to the system wide demand and anticipated surges in activity. We have a well established elective clinical prioritisation system which will remain in place to ensure that our highest priority patients are identified and resources allocated to meet their needs.
Resilience	Due to the uncertainties around the impact of the EU Exit, COVID-19 response, and COP 26, there is a possibility that our support system is not resilient enough to deal with emergency situations over a sustained period, which could lead to failure to deliver our statutory functions.	We continue to take a proactive role in planning for the range of contingent events which are impacting or could impact on our service resilience. We are continually reviewing and updating our contingency response plans, conducting additional training and testing where appropriate.

NHS Grampian Risk Plan included with RMP4 (cont)

Title	Risk	Mitigating action
Age and condition of infrastructure	The age and condition of our infrastructure (and insufficient funding to meet required standards) means that we might be unable to plan on the basis of having reliable and sustainable facilities and equipment which could lead to disruption to services.	We have an integrated infrastructure strategy and clarity regarding the risks and allocation of available funding. Key elements of our estate – theatres, laboratories and critical care – will require major backlog, reconfiguration and statutory compliance works which may have service implications over the next 5 year period.
Digital Change	A lack of resources might mean that we are unable to embed and accelerate Digital Change as one of the key agreed organisational renewal priorities which underpins and supports transformation across NHS Grampian meaning that we may be unable to deliver against the Digital Work Plan priorities set against the Digital Health & Care Strategy and Remobilisation Plan's Failure to achieve organisational objectives. This could lead to reputational impact across NHS Grampian and potential failure to meet agreed deliverables.	The Board approved the Digital Strategy in October 2020 with a strong ambition to use digital solutions to positively change and redesign services. The most significant challenge is the capacity within services and our eHealth team to support change at the pace which would make a difference for staff and patients. The Board is refreshing its wider strategy and consideration will be given to how we resource our transformation programme, including our digital work plan.
Test & protect	As staff are on temporary contracts there is a possibility that capacity within the program may decrease over the next 6 months and limit our ability to respond.	The risks around the continuity of the Test and Protect programme have been discussed with SG colleagues and joint working continues to clarify the requirements for the service and need to provide certainty of funding to secure the necessary capacity to operate without disruption.

6. Non-Financial Performance Summary

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

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

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

6. Non-Financial Performance Summary (cont)

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

The continued impact of the COVID-19 pandemic and the wider system pressures on the NHS, our partner organisations and the public was significant this year and although the Board has successfully met its financial targets for 2021/22, performance against the key national clinical treatment targets has clearly been impacted by the changes made to ensure the delivery of safe and effective services throughout the year as part of our COVID-19 response.

All clinical services are now open and accepting referrals. The length of wait for treatment in some services is impacted by the historical backlog that built up during the COVID response period and also by enhanced infection control measures that remain in place. Recognising the current operational and workforce challenges alongside growing financial pressures, the Scottish Government have clarified the areas of activity to be prioritised during the coming year as a phased reduction in waiting times with no outpatient waiting longer than one year by March 2023 and no-one waiting longer than one year for in-patient/day case treatment by September 2024. A proposed plan to achieve reduction in current waiting times through investment in a range of initiatives is under consideration by the Scottish Government.

6.1 Key National Treatment Targets

The impact of these emergency measures on the key national treatment targets is summarised below :

a) Attendance at Accident & Emergency

98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment.

Performance

- Total A&E attendances in March 2022 were 9,581, an increase of 37% over March 2021.
- The percentage seen within 4 hours in an A&E department for the year ending 31 March 2022 was 71.8% (88.5% at 31 March 2021) compared to the Scotland wide rate of 71.6% (88.5% at 31 March 2021).
- The number waiting 4 hours or more in March 2022 was 2,698 with 178 waiting over 12 hours, compared to 808 (2 over 12 hours) in March 2021.

The pressures on Emergency Departments (ED) during the year were well publicised across the NHS in Scotland and the UK. Our local analysis suggests that the ED performance was acting as the bellwether of the pressures experienced right across the whole health and social care system with capacity and flow factors affecting each step in a patients pathway combining to manifest at the front door of the hospital affecting the 4-hour performance.

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

6. Non-Financial Performance Summary (cont)

6.1 Key National Treatment Targets

b) Delayed Discharge

Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.

Performance

- There were 104 patients, of which 71 were more than 3 days delayed at the March 2022 census date (52 at March 2021 of which 37 were delayed more than 3 days).
- Patients spent 2,432 days in hospital due to delays in discharge in Grampian (1,726 at March 2021).

c) Treatment Time Guarantee

12 week in-patient / daycase Treatment Time Guarantee (TTG) and 12 weeks for first outpatient appointment.

Performance

- Available capacity is targeted at urgent and priority patients (Elective Surgery Category System (ESCatS) 0 and 1 including cancer) and to address long waiting patients.
- The tables below set out the increases in both the waiting times for in patient/day case treatment and the number of patients waiting for a first outpatient appointment.



Source: Tableau (Elective Care Overview)

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

6. Non-Financial Performance Summary (cont)

6.1 Key National Treatment Targets

c) Treatment Time Guarantee (cont)

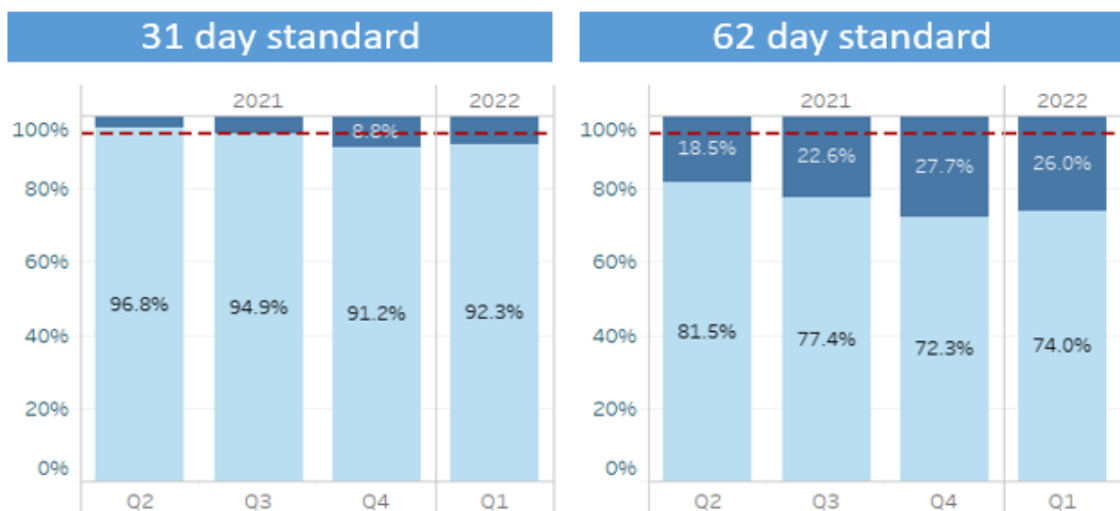
- Patients on our waiting list (~10k) have received an explanatory letter with an apology for the delay and highlighting escalation routes for them to raise concerns relating to their health. Patients waiting over 52 weeks (~4k) have also been contacted and invited to feedback on the quality of life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

d) Cancer

Cancer Access Times: 31 days from decision to treat (95%) and 62 days from urgent referral with suspicion of cancer (95%).

Performance

- Cancer performance against the 31 day standard has remained above 90% but below the 95% target for the majority of the year.
- The 62 day performance has been lower than in the prior year due to the increasing demand and rise in the number of cancers being detected and treated.
- The tables below set out the performance against both targets.



The performance analysis on pages 29 to 37 covers the impact COVID-19 has had on the organisation and the corresponding position in relation to our operational activity and performance in some detail.

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

7. Plan for the Future – 2022/28

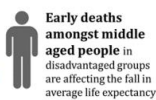
The Grampian Clinical Strategy for 2016-2021 was approved by the Grampian NHS Board in October 2016 following extensive discussion and engagement with staff, partners and the public. It was intended to review the Clinical Strategy during 2020/21 but for the reasons of COVID-19 this was deferred until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

The Board is now looking ahead, beyond the current COVID-19 pandemic and considering how NHS Grampian, together with the public and its partners, can make the biggest difference to the health and wellbeing of the people of Grampian with the resources we have. In terms of our population health and planning for the future there are a range of factors that will require to be considered, with some examples noted below:

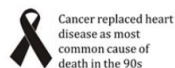
1. Grampian's population has been increasing and ageing.



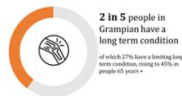
2. Life expectancy has been rising, but the rate of increase has stalled and inequalities have worsened for some.



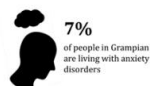
3. Main causes of death are changing, and improvements to avoid mortality through prevention and treatment have slowed.



4. The population is healthier now in many respects, but for some the burden of long term conditions continues to rise.



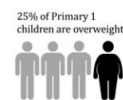
5. Common mental health problems are increasing.



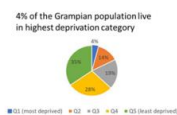
6. Fewer people are smoking but obesity continues to rise.



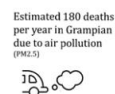
7. There have been improvements in child health but inequalities remain.



8. Variations in social and economic factors are important drivers of health inequalities and they are dispersed throughout the population.



9. The physical environment is affecting our health and wellbeing.



10. It is getting harder to protect our population from some infectious diseases.



A multi-agency meeting was hosted by the Board in April 2021, at which the process for developing the Plan for the Future – 2022-28 and the supporting communication and engagement was agreed. The public consultation was launched in June 2021 and detailed feedback was received from over 2,100 people living in Grampian. The consultation and engagement on the priorities for the future will inform the final version of the plan.

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

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

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

7. Plan for the Future – 2022/28 (cont)

Projected population change – 2012-2037

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

Health Inequalities



The impact of COVID-19 has required the Board to review services across the whole system and we will wish to reflect on the changes made and to build on the experience of the last 12 months. Addressing health inequalities will be a key part of the Board strategy. Examples of these health inequalities are noted above, to illustrate the breadth of challenges that are prevalent across and within our communities.

The revised NHS Grampian Strategy – Plan for the Future 2022-2028 was approved by the Board on 2 June 2022. The strategy and supporting information is available at the following link <https://www.nhsgrampian.org/about-us/planforthefuture/>

Implementation of the strategy will be underpinned by the Board's Delivery Plan which will set out a route map including key milestones and deliverables against priority areas of focus framed around People, Places and Pathway. The delivery plan will include specific initiatives to improve access by transforming services to provide care closer to home and streamline pathways of care to increase timely discharge.

PERFORMANCE REPORT (cont)

c) PERFORMANCE ANALYSIS

1. Financial Performance and Position

1.1 Consolidated Accounts

The Annual Accounts consolidate the results of Grampian Health Board, Grampian Health Board Endowment Funds (a registered Charity) and the three IJBs (Aberdeen City, Aberdeenshire and Moray). The basis of consolidation, explained in note 1 Accounting Policies on page 95, is determined by the extent of control Grampian Health Board can effectively exercise over each of its partner organisations. All Trustees of the Grampian Health Board Endowment Funds are members of Grampian Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Grampian Health Board Endowment Funds into the main Board accounts. Voting membership of each of the IJBs is however split equally between members of Grampian Health Board and members of each local council. The Board, therefore, has exactly half of the controlling interest in each IJB and, under IAS 28, is required to consolidate only this share of the net assets, as a Joint Venture, into the main Board accounts.

The financial impact of consolidation is summarised below:-

Partner Organisation	Reported Net assets 2021/22 £000's	Consolidated Net assets 2021/22 £000's	Consolidated Net assets 2020/21 £000's
Grampian Health Board	352,997	352,997	349,986
Grampian Health Board Endowment Funds Charity	49,308	49,308	*45,441
Aberdeen City IJB	51,392	25,696	9,118
Aberdeenshire IJB	49,062	24,532	10,284
Moray IJB	17,021	8,511	3,171
Consolidated Net Assets	519,780	461,044	418,000

1.1.1 Grampian Health Board Endowment Funds Charity (the Charity)

The Charity had net assets of £49.308 million at 31 March 2022 (£45.921 million* restated at 31 March 2021). The increase in net assets of £3.387 million relates mainly to a net gain on the valuation of investments of £3.064 million (2020/21 £8.326 million) and a surplus on charitable activities of £0.323 million* (2020/21 restated £0.828 million*). The increase in net assets represents continued strong growth in global investment markets since the initial impact of the COVID-19 pandemic in March 2020, although this growth was partially offset by the adverse impact of the Ukrainian conflict during February and March 2022.

* The group accounts have not been amended to reflect the restated prior year figures in the NHS Grampian Endowment Fund accounts. See Notes 3 and 4 to the accounts for a further explanation of the differences in reported income and expenditure figures.

PERFORMANCE REPORT (cont)

d) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

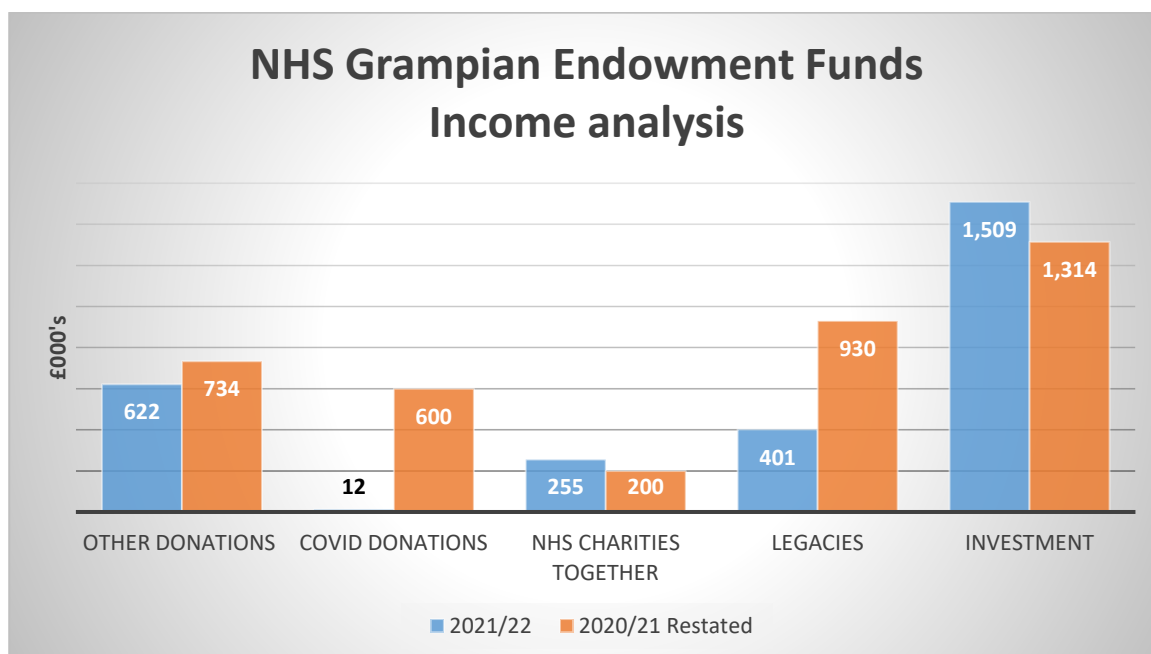
1.1 Consolidated accounts (cont)

1.1.1 Grampian Health Board Endowment Funds (cont)

The charity had no direct investments in Russian Companies during the year. The charity's investment strategy targets investments to deliver sustainable long-term capital growth and consistent income generation, and this has been maintained during 2021/22.

In line with the trend experienced by many other charities due to the economic impact of the COVID-19 pandemic on local communities, income from donations and legacies continued to fall during the year. The reduced level of planned care and impact of restrictions on visiting and flow through hospitals and other health facilities also contributed to the reduction in donations received.

Total income for the year was £2.799 million* (2020/21: restated £3.778 million***) analysed as follows:-



With the attention of clinical staff focused on addressing the system pressures arising from the ongoing impact of the COVID-19 pandemic, the charity also experienced a reduction in expenditure during the year due to a drop in the number of grant applications received for general and other specific purposes.

The net effect was a surplus of income over expenditure for the year of £0.323m. The charity will continue to work closely with all relevant Health and related services as they re-mobilise and return to a more normal footing, to ensure that available funds are utilised effectively improving the health and wellbeing of patients and staff in line with the wishes of our donors.

* The group accounts have not been amended to reflect the restated prior year figures in the NHS Grampian Endowment Fund accounts. See Notes 3 and 4 to the accounts for a further explanation of the differences in reported income and expenditure figures.

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.1 Consolidated accounts (cont)

1.1.2 Integration Joint Boards (IJBs)

The three local Grampian IJB's are key partners and enablers to the whole system co-ordination and collaboration of the response and remobilisation from the COVID-19 pandemic. With the whole Health system continuing to operate under emergency provisions during 2021/22 many of the core services provided within each of the three IJB's remained operating at reduced capacity in order to focus on the response and to ensure services were operating according to public health and Scottish Government guidelines. In all three IJB's this shift in focus in activity helped mask the underlying financial challenges, in particular where demographic and demand pressures continue to see higher numbers of people receiving support in the community. The challenges of managing the impact of the pandemic continued to encourage however, developments in digital innovations, shifting the balance of care and preventing admissions, and the community engagement agenda across all three IJB's. A key priority as we move forward is to capitalise on the evolving and maturing whole system partnership arrangements to embed learning and transformational change in to clinical strategy and core service provision moving forward.

The significant disruption to services arising from the pandemic has created a backlog of demand as well as increasing unmet need and frailty of service users. During 2021/22 the Scottish Government made additional funding available to IJB's to create additional capacity and improve access to day care services, care at home and unscheduled care to avoid unplanned admissions and impacts on delayed discharges. The funding was also to be used for improved access to mental health services, sustainability payments to social care providers and additional staff costs across Health & Social Care. A condition of the funding was that any unutilised balance remaining at year end 2021/22, must be carried in an earmarked reserve targeted at meeting all additional costs of responding to the Covid pandemic in the IJB as well as the NHS Board. This is the main contributory factor to the significant increase in IJB reserves during the year. Plans for the use of this funding in 2022/23 are under development by the IJB's.

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

1.1.2.1 Aberdeen City IJB

Aberdeen City IJB reported an overall surplus of £33.156 million for the year (2020/21: £15.634 million), increasing the retained reserves carried forward to £51.392 million (2020/21 £18.236 million). This reflects:

- A general risk fund of £2.5 million (2020/21 £2.5 million) towards the impact of unexpected events or emergencies; and
- Earmarked reserves of £48.892m (2020/21 £15.735 million) due to the allocation of funding to the IJB by the Scottish Government for a range of purposes including support for COVID-19 recovery and remobilisation expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund.

A copy of the 2021/22 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.1.2.2 Aberdeenshire Integration Joint Board (IJB)

Aberdeenshire IJB reported a surplus for the year of £28.496 million (2020/21: £20.449m) increasing the retained reserves carried forward to £49.062 million (2020/21 £20.566 million). This reflects:

- General reserves of £7.908 million (2020/21 £4.597m) towards the impact of unexpected events or emergencies; and
- Earmarked reserves of £41.154 million (2020/21 £15.969 million), due to the allocation of funding to the IJB by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund and by NHS Grampian for a project to relocate dental services.

A copy of the 2021/22 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

1.1.2.3 Moray Integration Joint Board (IJB)

Moray IJB reported a surplus for the year of £10.679 million (2020/21: £6.155m) increasing the retained reserves carried forward to £17.021 million (2020/21 £6.342 million). This reflects:

- General reserves of £1.257 million (2020/21 £1.597m) towards the impact of unexpected events or emergencies; and
- Earmarked reserves of £15.764 million (2020/21 £4.744 million) due to the allocation of funding to the IJB by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund.

A copy of the 2021/22 Moray IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets

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

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

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

Statutory Financial Targets	Limit as set by SGHSCD £000's	Actual Outturn £000's	Variance Under £000's
Core Revenue Resource Limit	1,358,066	1,357,936	130
Non-Core Revenue Resource Limit	28,485	28,485	-
Total	1,386,551	1,386,421	130
Core Capital Resource Limit	64,166	64,166	-
Non-Core Capital Resource Limit	1,002	1,002	-
Total	65,168	65,168	-
Cash Requirement	1,434,610	1,434,610	-

Memorandum for In Year Out-turn	£000
Core Revenue Resource Variance Surplus in 2021/22	130
Financial flexibility : funding banked with Scottish Government	0
Underlying Surplus against Core Revenue Resource Limit	130
	0%

The Board is reporting an underspend of £0.130m against a target of breakeven on the revenue resource limit for 2021/22. A one year financial plan was submitted to Scottish Government by NHS Grampian on 21 March 2021. Due to the impact of the COVID-19 pandemic, the Scottish Government paused the three year Annual Operating and financial planning process. Recognising the exceptional nature of 2021-22 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Grampian received £68.8m (2020/21 £47.3m).

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets (cont)

The Core Revenue Resource Limit for 2021/22 was also adjusted to include the £0.769m surplus carried forward from 2020/21 and £1 million banked with the Scottish Government under agreed financial flexibility arrangements in 2019/20.

1.2.1 Efficiency Savings

Efficiency savings of £2.2 million were achieved against a target of £2.6 million for NHS Grampian services, mainly from the successful recruitment in to medical and nursing vacancies that were previously filled using temporary agency staff in the first half of the year, the transfer of some agency staff on to a direct engagement contractual model, the increased use of biosimilar drugs and savings across a number of non-clinical areas. Recurring savings amounted to £1.0 million and non-recurring of £1.1 million. The gap of £0.4 million was covered non-recurringly by the Scottish Government through their COVID-19 supplementary funding allocation, recognising that the focus of budget managers was not in the delivery of savings during the period of the Board being on an emergency footing.

1.2.2 Financial impact of the COVID-19 Pandemic

Due to the ongoing impact of the pandemic the Board remained on an emergency footing throughout 2021/22. In considering the variations in cost of services between years it's important to recognise, therefore, the efforts to manage the COVID-19 recovery and remobilisation response required a reconfiguration in service provision across the whole system, and as in the prior year, this remained the case during 2021/22. Although additional direct costs were incurred as a result of specific initiatives such as the vaccination programme and the need for winter surge capacity many of the variations in operating costs between years reflect both the direct and indirect impact of the COVID-19 pandemic on staffing, activity and service levels and do not reflect the cost trends arising from normal operations.

The Board received a specific supplementary allocation of £68.8 million during the year from the Scottish Government to cover the additional direct costs associated with the COVID-19 response and remobilisation. The main areas incurring additional costs were in additional Personal Protective equipment, vaccinations programmes, testing and contact tracing and staffing and other costs to support additional bed capacity (ITU and Medical beds), loss of income (catering, retail) and spend on IT equipment.

In addition, the Integration Joint Boards (IJB's) received funding of £62.4 million (2020/21 £46.3 million) to meet costs relating to health and social care services. The IJB's have agreed that any amounts from this allocation that were not utilised in 2021/22 will be carried forward and used to support system wide COVID-19 recovery and remobilisation efforts for this purpose in 2022/23.

1.2.3 Expenditure Analysis

Net expenditure for the year was £1,453 million (2020/21 £1,375 million), an increase of £78 million over the prior year. The Consolidated Statement of Comprehensive Net Expenditure can be found on page 87, a more detailed analysis of Expenditure in note 3 on page 115 and a more detailed analysis of income in note 4 on page 116.

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets (cont)

1.2.3 Expenditure Analysis (cont)

Staff Costs increased by £46.5 million mainly due to the annual pay uplift (£33.4 million), an increase in the level of untaken annual leave (£2.2 million). Expenditure on temporary agency staff increased by £4.8million.

Drugs and Medical supplies increased by £16m mainly due to an increase in activity in some services as part of the Board's remobilisation plan and ongoing costs incurred around PPE and testing kits throughout the COVID-19 pandemic.

Another significant area of cost fluctuation relates to a net increase in funding of £38.1 million passed to Integration Joint Boards – this is reflected as expenditure in the Health Boards accounts and includes specific funding for COVID-19 related expenditure, funding earmarked for specific government initiatives in community health and social care and funding to cover the costs of the pay award and supplementary pay agreement for Health and Social Care staff.

Other areas of cost fluctuation over the previous year include a provision for new clinical negligence and employer liability compensation claims of £23.1m, an increase in care purchased from private sector providers of £4.6m reflecting recovery of activity levels in some specialities during the year, an increase of £6.6m in property running costs and £2.4m on equipment including servicing and repair.

The above increases in expenditure were partly offset by a corresponding increase in income of £51.4 million; £8.2m representing an increase in services commissioned through the Health Board by the Integration Joint Boards, £8.5m in income from other NHS Scotland bodies, £2.5m in donated income mainly related to the supply of test kits by the UK Government, £21.1m relating to an increase in the level of recovery of the cost of clinical negligence claims through the Clinical Negligence and Other Risks Indemnity scheme (CNORIS) and £7.9m other income.

The provision for impairment of receivables is quantified at £2.5 million (2020/21 £2.6 million) and is disclosed under trade and other receivables in note 9 on page 123. The provision is reviewed regularly by management considering the risk profile by class of debt.

At the year end the Board provided £58 million for legal obligations arising from clinical negligence and other employer liability claims (2020/21 £54 million). Details are provided in note 13 on page 128.

1.2.4 Impact of IJBs on Health Board Accounts - pre consolidation

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

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets (cont)

1.2.4 Impact of IJBs on Health Board Accounts - pre consolidation (cont)

The consequence of this in the Health Board's accounts, is expenditure of £675.164 million (2020/21 £637.088 million), income of £613.072 million (2020/21 £604.826 million) and a net retained reserve relating to IJB directed health services of £97.3 million (2020/21 £38.1 million). The increase in IJB retained reserves relates partly to an underspend from some core services continuing to operate at reduced capacity throughout the pandemic and partly due to the allocation of funding to the IJB by the Scottish Government for a range of purposes including support for COVID-19 expenditure, the Primary Care Improvement Fund, Action 15 Mental Health Workers and the Community Living Change Fund. This is explained in more detail in section 1.1.2 above.

The expenditure is included in note 3 on page 115 and income in note 4 on page 116.

1.2.5 Property Valuation

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2022. The values were calculated in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS and applied to reflect local market conditions at 31 March 2022. The effect of this revaluation on individual assets was some gained value while others were impaired. The impact of those assets subject to an upward movement in valuation was an increase in the revaluation reserve of £28.549 million and assets subject to a downwards valuation seeing a reduction in the revaluation reserve of £0.005 million. Thus making the overall net impact on the revaluation reserve an increase of £28.544 million (2020/21: £9.106 million increase).

The overall increase in property value reflects an increase in construction industry prices during the year, impacted by rising demand and a range of economic and geopolitical factors causing supply bottlenecks, labour shortages and increased materials costs.

IAS 36 requires that impairments charged to the Statement of Comprehensive Net Expenditure (SOCNE) in prior years should be reversed to offset any subsequent increase in value relating to that particular asset. The net value of impairment on those assets subject to a downward movement in valuation, after utilising any available revaluation reserve, was £0.403 million (2020/21: £1.261 million impairment) and this was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure.

Further information is available in the section on key sources of judgement, estimation and uncertainty in note 1 accounting policies, on page 111.

1.2.6 Pension Liabilities

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

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets (cont)

1.2.7 Infrastructure and Non-Current Assets

The Board delivered a programme of infrastructure investment totalling £78.914 million during 2021/22. This overall programme was resourced using a combination of capital funding from the SGHSCD (£64.166 million, see note 7d), income from donations (£0.687 million), financial transactions funding from the Scottish Government for a GP sustainability Loan (£0.315 million), various revenue funding sources (£12.577 million) and net proceeds from asset disposals (£1.169 million).

Major investments during the year include:

- Ongoing construction costs of the Baird Family Hospital and Anchor Centre (£42.5 million).
- Ongoing design and development costs in support of the National Treatment Centre– Grampian (£0.5m).
- £10.4m on Backlog Maintenance and Compliance with Statutory Standards. Including:
 - £3.5m to complete the Ligature Reduction programme at Royal Cornhill Hospital;
 - £1.3m to complete the upgrade of ward 7 at Dr Grays Hospital;
 - £0.1m to complete improvements to the Birthing Unit at Dr Grays Hospital;
 - £0.7m to complete the programme of COVID-19 related improvements to primary care premises ;
 - £1m on carbon reduction and greenspace initiatives; and
 - £3.8 m on other backlog maintenance and statutory compliance schemes across a range of locations.
- £22.5m on essential equipment replacement across clinical and support services and investment in new technology to provide additional capacity in essential services such as cancer and eyecare. The most significant replacement programmes included :
 - £4.5m for replacement of the first of three linear accelerators in the Radiotherapy service ;
 - £2.9m for major imaging equipment replacement including five x-ray rooms across various locations shortly to be out of support, an Interventional Radiology suite, a Computerised Tomography (CT) scanner and the Endoscopic Retrograde Cholangiopancreatography (ERCP) suite at ARI;

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

1.2 Grampian Health Board performance against statutory financial targets (cont)

1.2.6 Infrastructure and Non-Current Assets (cont)

- £1.1m for patient monitors across a number of locations;
 - £1m of Endoscopy equipment across a number of locations;
 - £0.5m to replace a Neuro navigation system for the ENT service;
 - £1.1m of equipment associated with our COVID-19 response was transferred to the Board from NHS National Services Scotland (NSS) and the Department of Health; and
 - £11.4m on other essential equipment.
- Other areas of investment included :
 - £0.3m on a GP Sustainability Loan in line with the Scottish Government's GP Premises protocol;
 - £0.3m to complete the project to relocate the Brachytherapy service;
 - £0.8m on works to enable establishment of vaccination centres in Moray and Aberdeenshire;
 - £0.15m to purchase accommodation to develop primary care services for the Countesswells Community;
 - £0.7m on the spaces for people project; and
 - £0.6m on project direct staffing support.

2. Fraud, Bribery and Corruption

NHS Grampian has a zero tolerance for fraud, bribery or corruption and has robust procedures in place, to reduce the likelihood of fraud occurring. These include an agreed policy on the Prevention, Detection and Investigation of Suspected Fraud, Theft and Corruption, Standing Financial Instructions incorporating Standards of Business Conduct and arrangements for the disclosure of information in the corporate register of interests, gifts and hospitality. Staff are briefed regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. NHS Grampian works closely with other organisations, including NHS Scotland Counter Fraud Services (CFS) and other government agencies to combat fraud and participates in the bi-annual National Fraud Initiative exercise which is a data matching exercise.

Although work, performed by CFS, to check the level of fraud/error in the recording of eligibility to exemption from charges for primary care services, re-started in January 2021 there is still insufficient information available to provide a robust and meaningful extrapolation of the available data covering the year to 31 December 2021.

PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
2. Fraud Bribery and Corruption (cont)

In the year to December 2019, the extrapolation of the sample results for Grampian indicated that the level of income from dental and ophthalmic charges could potentially have been £0.3 million higher due to incorrect claims. CFS anticipate that the production of the annual extrapolation calculation will resume in 2022.

3. Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2021/22, the average credit taken was 14 days (2020/21: 9 days). In 2021/22 91% of invoices by value (2020/21 97%) and 85% of invoices by volume (2020/21 96%) were paid within 30 days. In 2021/22 85% of invoices by value (2020/21 92%) and 75% of invoices by volume (2020/21 91%) were paid within 10 days.

The small drop in payment performance compared to the prior year, reflects a reduction in available capacity to support the purchase to pay process during the year, partly due to illness and partly the impact of wider system pressures on support teams.

4. Social Matters

NHS Grampian promotes equality and celebrates diversity both in the services we provide and within our organisation. We also take our duty to promote equality and diversity in the wider community very seriously. The challenge for the Board is to maintain the excellent progress achieved to date, taking forward work for all 9 “protected characteristics” which make up equality and diversity during the challenging times caused by the COVID-19 pandemic. The “protected characteristics”, as defined by the Equality Act 2010 are: race, disability, age, sex (male or female), sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership and religion or belief. The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012, as amended, and published reports including the following key updates on progress in 2021/22:

- **An NHS Grampian Equal Pay Monitoring Report in June 2021**

The Report comprises a detailed analysis of staff pay between:

- female and male staff
- Staff who are disabled and not disabled
- Staff of different ethnicities

- **An NHS Grampian Equality and Diversity Workforce Monitoring Report in July 2021**

This comprises an analysis covering all 9 “protected characteristics” of:

- Applicants for posts, shortlisted candidates and those offered posts
- The ethnic makeup of the NHS Grampian workforce
- Leavers and new starts
- Training opportunities

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS (cont)

4. Social Matters (cont)

- Promotions
- Disciplinary action
- Information on the Gender balance for qualifying non-Executive Health Board posts.

- **An NHS Grampian Equality Outcomes Report 2021-2025**

This details what NHS Grampian wishes to achieve in the sphere of each of the 9 “protected characteristics” over the next 4 years.

- **An NHS Grampian “Mainstreaming” Report**

This details what NHS Grampian has done in the last 2 years to make equality and diversity an integral part of the way we function as an organisation.

The involvement and consultation requirements for each report were met in full. All four reports are available on the NHS Grampian website, to facilitate public scrutiny, as required by law.

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

Equality and Diversity Staff Training

During 2021/22, over 2,000 NHS Grampian staff received Equality and Diversity Training by TEAMS at a level appropriate to their role in the organisation. All training is recorded and feeds into the Personal Development Plans of staff. Over the last three years, over 7,000 NHS Grampian staff have now received this training. All of the Seminars include a section on Human Trafficking. The Seminars are independently evaluated by participants on a regular basis. Feedback to date has been excellent.

Human Trafficking

A current serious social issue in Grampian is Human Trafficking. This has been covered in detail at every training session for the last 6 years. We use anonymised local examples to explain the different types of trafficking and we emphasise to staff that this is serious problem. Often, it is NHS staff who have the first opportunity to recognise that someone has been trafficked. A number of people have been rescued from the misery of Human Trafficking in 2021/22 due to staff being alert to the signs of Human Trafficking and taking immediate action.

Dedicated Seminars

A number of dedicated Seminars have been provided for GP Practices and hospital staff on meeting the needs of Trans patients. Equality and Diversity Awareness Seminars have been provided for over 90 GP Trainers, from across Scotland.

Demographic Changes and Social cohesion

Grampian is one of the most attractive areas in Scotland for inward migration. The changing demography of Grampian is covered in all of our training sessions.

PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
4. Social Matters (cont)

In recent years, special emphasis has been given to meeting the needs of New Syrian Scots who have settled in Grampian. More recently, in the last 12 months, a great deal of work has been ongoing to meet the needs of Afghan refugees who have been located in Aberdeen City.

Multi-lingual presentations have been made explaining about NHS services and how to access them, facilitated by "face to face" interpreters and supported by translated materials. Other large groups of asylum seekers have also recently been located in Aberdeen. Appropriate information and healthcare support has also been provided to these groups, in co-operation with Aberdeen HSCP. We have included the topic of social cohesion at every training session for the last 6 years.

Consultation and involvement events with our local ethnic minority communities

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

Due to COVID-19, the involvement and consultation events since 2020 have gone online, but have still continued. It is hoped to resume "face to face" involvement and consultation events in October 2022. This work is also outreach, we provide a wide range of information in the main local ethnic community language to participants and encourage them to register with their local GP and highlight any ongoing health related issues.

In 2021/22, we continued to put in a massive effort to ensure that accurate and authoritative local information has been available on COVID-19 precautions and vaccination arrangements. This information has been made widely available in our main local ethnic community languages for non-English speaking people. It has also been made widely available in many different formats to assist our local disability communities. NHS Grampian has funded our five qualified BSL interpreters in Grampian to accompany Deaf people to attend Vaccination Centres for COVID-19 vaccinations, boosters and flu jabs, to provide BSL interpretation and moral support. This has proved to be exceptionally popular with our local Deaf communities and uptake has been excellent. This model has been emulated in other Health Board areas.

LGBT

NHS Grampian has continued our exceptionally successful rainbow campaign. Over 5,000 staff now wear a Rainbow Lanyard, or a Rainbow Badge or a Rainbow Pulley Type Lanyard. This is a visible symbol to patients and our staff that NHS Grampian is LGBT friendly.

We had a large presence at the Grampian Pride Parade in 2021 and will have an even bigger presence at the 2022 Event.

PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
4. Social Matters (cont)

Disability

It is well known that at a national level, COVID-19 and the lockdown have had a disproportionately severe impact on disabled people. However, there is no local information available on this impact at a local level.

The NHS Grampian Disability Review Group have issued a survey across Grampian to disabled individuals and disability groups to gather information, which will be shared with partner agencies.

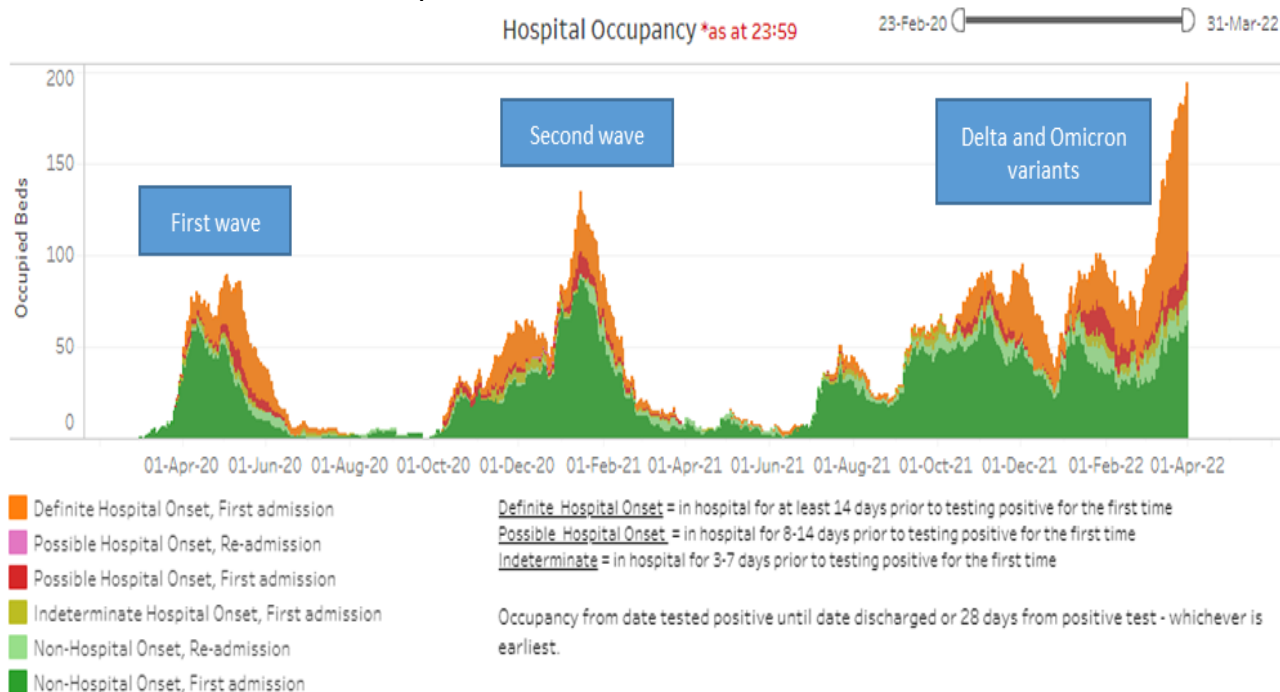
In 2021/22, the NHS Grampian Disability Review Group completed 8 disability related schemes in different locations across Grampian. The choice of which schemes to carry out was made by disabled people through their representative organisations.

More information on the above is available on the NHS Grampian website at this link:
<https://www.nhsgrampian.org/about-us/equality-and-diversity/>

5. Performance against Key National Treatment Targets

5.1 Responding to COVID-19

The impact of COVID-19 and the wider system pressures on the NHS, our partner organisations and the public was significant this year; with the diagram below setting out the levels of hospitalisation for COVID-19 patients during the last year in comparison to Wave One and Wave Two experienced in 2020/21.



Source: Tableau (Hospital Occupancy)

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.1 Responding to COVID-19 (cont)

In particular, the pressures on Emergency Departments (ED) during the year were well publicised across the NHS in Scotland and the UK. Our local analysis suggests that the ED performance was acting as the bellwether of the pressures experienced right across the whole health and social care system with capacity and flow factors affecting each step in a patients pathway combining to manifest at the front door of the hospital affecting the 4-hour performance

Under the emergency provisions implemented, NHS Boards were required to follow national direction and guidelines with the arrangements implemented in response being reflected in the COVID-19 response and remobilisation plans developed by each Board.

These plans set out the detail of the Board's response to the COVID-19 situation and planning for the adaption and delivery of services. Within NHS Grampian the three main phases of our response comprised Operation Rainbow (April to May 2020), Operation Snowdrop (January to March 2021) and Operation Iris (December to March 2022).

Operation Iris was our response to the Omicron Variant and the winter pressures that have been experienced during the most recent winter period. The key organisational objectives whilst in this operational phase were as follows:



- Objective A: *Keep staff safe & help them to maximise wellbeing*
- Objective B: *Responding to demand on the health & care system*
- Objective C: *Protecting critical services & reducing harm*

5.2 Impact of COVID-19

The response to COVID-19 has had a profound and significant impact on our ability to provide services during 2021/22.

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

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

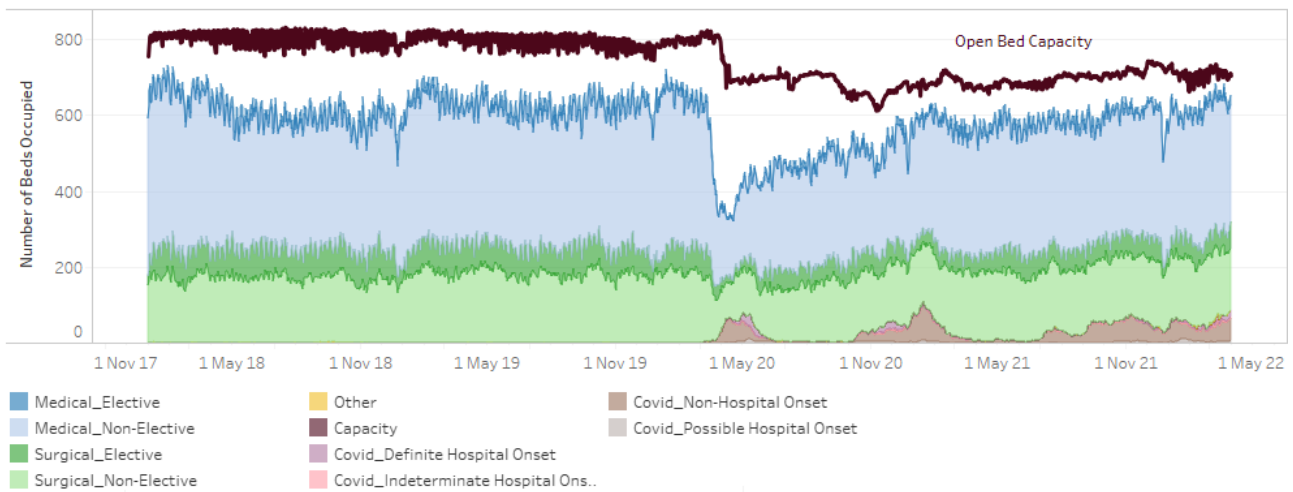
5.2.1 Hospital Occupancy

The activity levels in all the hospital sites has fluctuated significantly during the year reflecting the whole system pressures that have been experienced.

Similar to 2020/21, NHS Boards have required to change and adapt their health and social care systems to ensure that they had the required capacity to meet predicted demand for core bed and ICU capacity arising from emergency and COVID-19 admissions and wider system pressures as access to services was widened.

PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
5. Performance against Key National Treatment Targets (cont)
5.2 Impact of COVID-19 (cont)
5.2.1 Hospital Occupancy (cont)

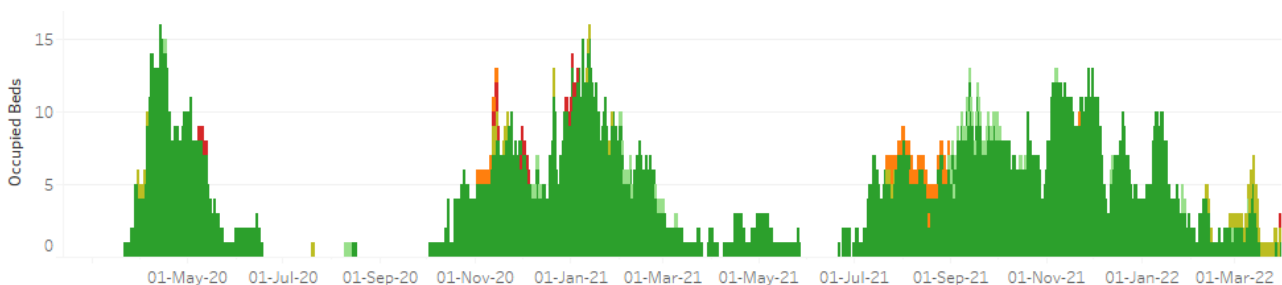
In line with our remobilisation plans, access to most health and social care services has recommenced; with many operating in an adapted form to comply with relevant national and clinical guidance. In anticipation of the impact of both winter pressures and the new variants of COVID-19, additional bed capacity was implemented during the period December to March 2022. The diagram below sets out the changes in bed occupancy at Aberdeen Royal Infirmary over recent years, highlighting the variation in activity and pressures on bed capacity across the year in comparison with prior years.



Source: Tableau (Hospital Occupancy)

Similar patterns of high occupancy were experienced across other major sites throughout 2021/22 at Dr Gray’s Hospital, Royal Cornhill Hospital and community hospitals. A steep increase in care home closures in January also had a knock on impact through the hospital system, resulting in an increase in hospital percentage bed occupancy.

Throughout the year, the intensive care unit also had to adapt and increase capacity in order to support both COVID-19 patients and non-COVID-19 critical care patients, as well as operate as the national centre for Extra-corporeal Membrane Oxygenation (ECMO). The occupancy levels during the last 24 months are noted below.



Source: Tableau (Hospital Occupancy)

PERFORMANCE REPORT (cont)

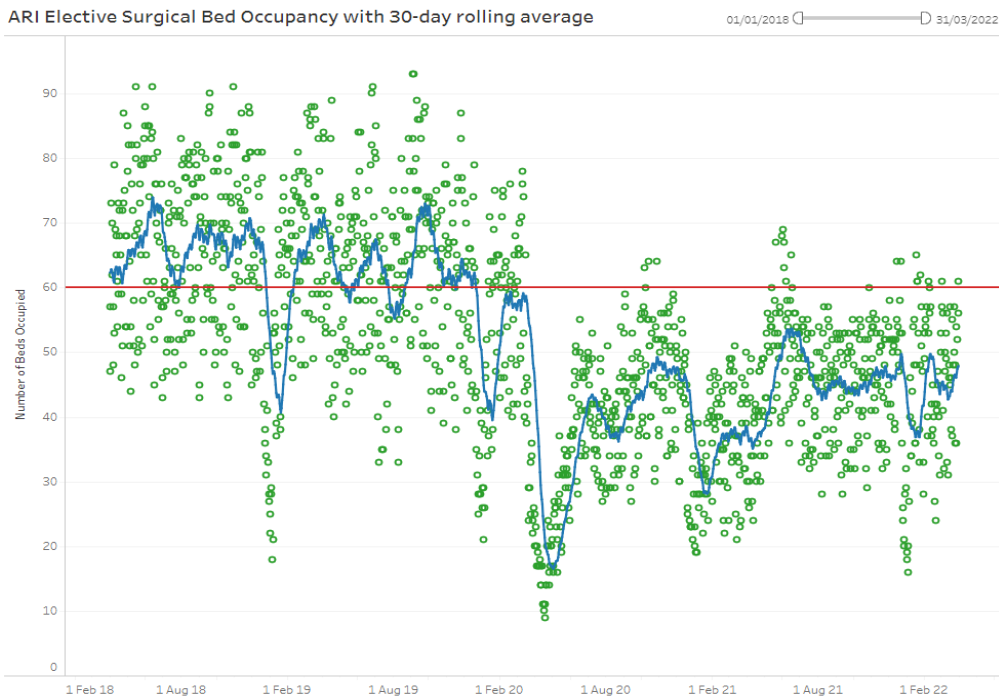
b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

5.2.2 Planned Care

The need to establish capacity to support emergency and COVID-19 admissions required significant changes in the level of planned care available during 2020/21 and 2021/22. Whilst activity levels have been slightly higher during 2021/22, the requirement to adapt services to respond to COVID-19 has resulted in increases in the waiting list sizes for both new outpatient appointments and treatment.



The chart sets out the 30 day rolling average bed occupancy for the period January 2018 to March 2022.

Source: Tableau (ARI elective occupancy)



The tables set out the increases in both the waiting times for treatment (under the Treatment Time Guarantee) and the number of patients waiting for a first outpatient appointment, together with an analysis of the numbers of patients waiting by clinical specialty.

Source: Tableau (Elective Care Overview)

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

5.2.2 Planned Care (cont)

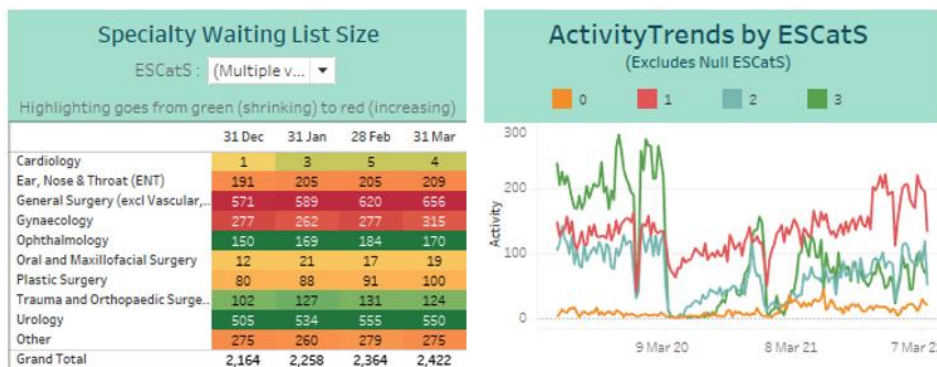
Outpatients

The Board rapidly implemented remote consulting using the Near Me technology in the early stages of the previous financial year, with 30% of new and return outpatient appointments currently being undertaken in this way. This change together with the actions taken to increase capacity has enabled the outpatient waiting list position to stabilise in the last six months and this position is expected to be maintained, until the end of the current operational response phase. The next operational plan that will be developed prior to July 2022 will set out the plans to address the current backlog.

Treatment Time Guarantee and Cancer

Through whole system redesign, protected beds were established for the highest priority surgical patients during the winter of the prior year and this position has been maintained in the current year but not significantly improved as a result of the system operating with bed capacity lower than pre-COVID-19 and the continuing impact of unscheduled care and COVID-19 admissions. Grampian has an established clinical prioritisation system for planned care. This ensures that all urgent and priority patients are identified following determination of treatment and that patients are seen according to clinical need.

Capacity building has been targeted at urgent and priority patients (Elective Surgery Category System (ESCaTS) 0 and 1 including cancer) and to address long waiting patients. Nevertheless the waiting list size for all ESCAT levels has increased during 2021/22.



Source: Tableau (Elective Care Overview)

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

Cancer recovery is a key and immediate focus of attention for the Board. Throughout 2021/22, significant progress has been made in addressing the backlog of cases that built up during the prior year with a resultant impact of performance against the national standards.

PERFORMANCE REPORT (cont)

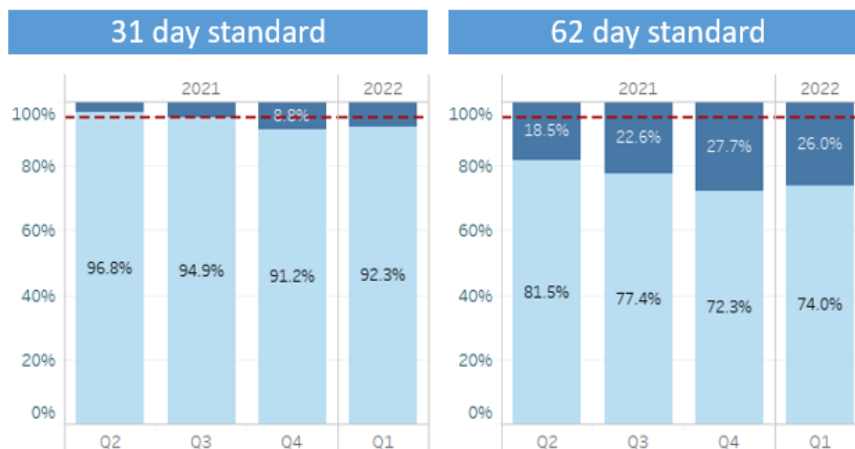
b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

5.2.2 Planned Care (cont)

Cancer performance against the 31 day standard has remained above 90% but below the 95% target for the majority of the year and the 62 day performance has been lower than in the prior year due to the increasing demand and rise in the number of cancers being detected and treated.



In terms of 2022/23, discussions have been progressed with the Scottish Government Access Team and Centre for Sustainable Delivery in support of our plans for increasing capacity and optimising use of existing resources.

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

5.2.3 Mental Health

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

Specialist in patient provision – Royal Cornhill Hospital

Access for inpatient services was protected, with adaption required to the bed base to meet COVID-19 requirements and the final stages of the ligature reduction programme at Royal Cornhill Hospital. The inpatient services have faced continuous system pressures during 2021/22 with high levels of occupancy being experienced as set out below. Significant steps have been undertaken in partnership with the Integration Joint Boards to ensure that access to both community and specialist services was maintained despite the pressures being faced.

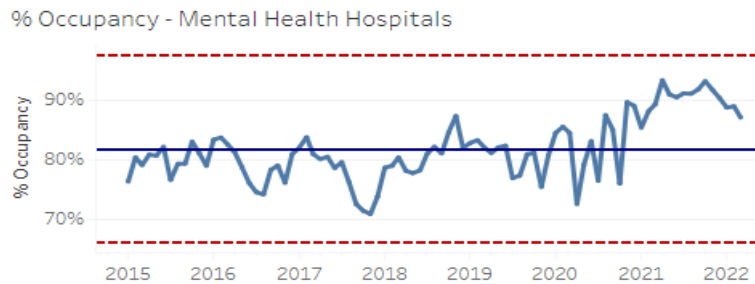
PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

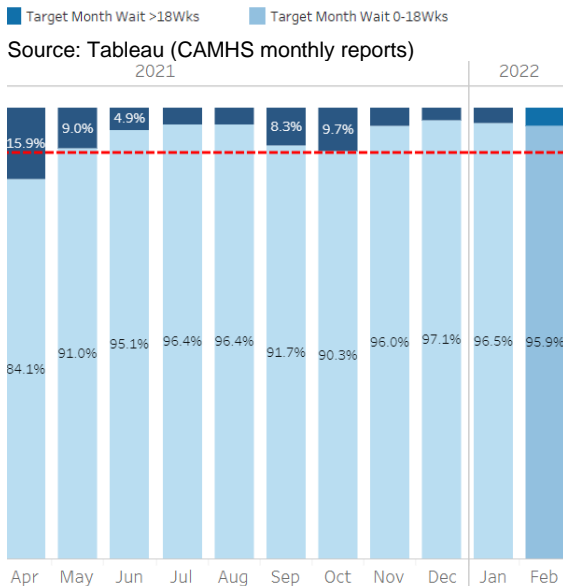
5.2.3 Mental Health (cont)



Source: Tableau (Access to Hospital Services – mental health)

Child Adolescent Mental Health Services

Trend of Percentage Compliance of CAMHS Patients Treated by Month



Prior to COVID-19, the service had implemented a service redesign and relocated to a purpose designed and integrated new facility in Aberdeen. As a result of the changes made and the ability to offer access to support virtually, the service has been able to maintain timely access during the year with performance above the 90% national standard, with the exception of April 2021. The service are implementing plans to utilise the additional funding that has been made available by Scottish Government.

Psychological Therapies

At an early stage in the COVID-19 response, the Board implemented a psychosocial hub to provide access and support to staff and the public given the impact of COVID-19 and the lockdown measures that have been in place. The hub was in place throughout 2021/22 and positive feedback has been received from those accessing the service.

PERFORMANCE REPORT (cont)

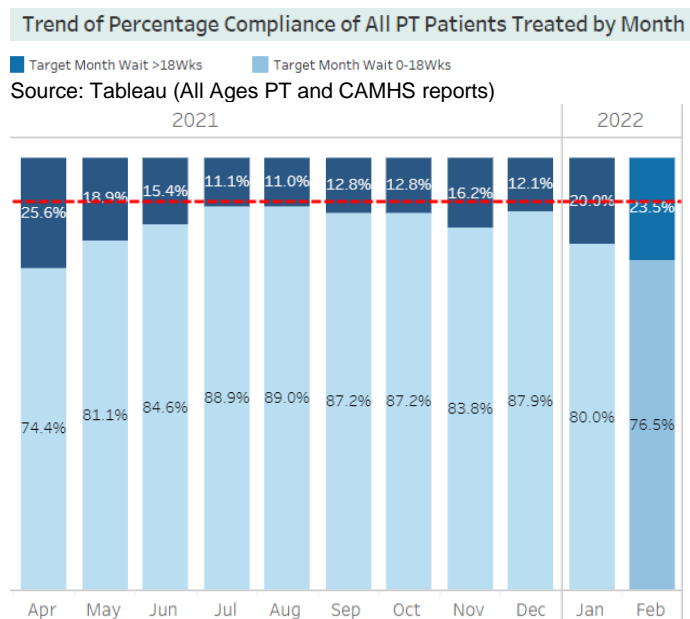
b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

5.2.3 Mental Health (cont)

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



5.2.4 Unscheduled Care

Unscheduled care has been protected as a critical service throughout 2021/22 and the Board has implemented measures to manage surges in demand, particularly during the winter period. The Board set out the actions for managing unscheduled care in the Board remobilisation plan (v4) including a detailed surge plan which was developed to address predicted unscheduled care activity and the impact of the new COVID-19 variants.

Throughout the period of the pandemic response we have developed a number of escalation models and systems to respond to the surges in COVID-19 activity. We adapted this learning into the development of a whole system escalation response model (Grampian Operational Pressure and Escalation System – G-OPES) to manage the expected range of service pressures during the 2021/22 winter period.

These adaptations included planning for increases in all unscheduled care activity as well the specific surges in COVID-19, respiratory syncytial virus (RSV) or other infectious disease. It also accounted for the staffing and resource pressures that would be required to support the delivery of critical services at the specified protected level.

The Grampian Operational Pressures and Escalation system which was coproduced with the involvement of key partners such as Scottish Ambulance Service (SAS) has three main components that are supported by our already established system visualisation tools:

- **System Pressure Levels defined by key objective metrics** - this set out a four level pressure measure for each of our operational portfolios and critical services with an overall system status. This was automated in our central reporting tool (Tableau) and the system pressures assessment is visible to the whole system and our partners for the daily operational system connect meetings. Each level offers a decision point where action must be taken.

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS (cont)

5. Performance against Key National Treatment Targets (cont)

5.2 Impact of COVID-19 (cont)

5.2.4 Unscheduled Care (cont)

- **Specified actions for each operational area** - at each pressure level a pre-defined action card details what measure must be taken to address the situation and maintain the specified delivery levels of service. These actions will specify the outcome expected (e.g. Open 3 'Surge Bays in ED' or Open acute medicine surge beds to reduce occupancy to 90%). These actions will usually be one of three types: Action to increase specified new capacity; Action to move one resource from one area to another to support capacity in critical area against less critical area or Action to change operating protocols. To facilitate system wide support, the actions taken can also be referenced to the overall system wide pressure level rather than the local sector pressure. They can also explicitly be to provide mutual aid from one part of our system to another.
- **Detailed business continuity plans and operational procedures** - each action point to either a business continuity plan or standard operating procedure which will detail how the action and its expected outcome will be delivered. Examples included the required bed reconfiguration to open additional capacity in the COVID-19 'Red Pathway' or details of which service will need to turn down activity to redeploy staff to a critical service pressure area.

In addition to the development of the G-OPES system, significant improvement activity was implemented in preparation for the winter months including the development of a detailed and comprehensive whole system surge plan.

In terms of performance and despite the additional measures that have been implemented to increase capacity in the Emergency Department and improve flow from admission to discharge the 4hour ED performance has been significantly lower than in prior years. The performance in Grampian is being experienced across most health boards in the UK as a result of the requirements to operate in accordance with revised clinical and operational guidance and the impact of emergency and COVID-19 admissions with a bed capacity lower than pre-pandemic.

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

PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

6. Sustainability and the Environment

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

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

7. Events after the end of the reporting period

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

Professor Caroline Hiscox

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04 August 2022

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Professor Caroline Hiscox
Chief Executive
Grampian Health Board

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

1. Naming Convention

NHS Grampian is the common name of Grampian Health Board.

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

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 4 August 2022.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 96.

4. Accounting Convention

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

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 140 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 94.

5. Appointment of Auditor

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2021/22, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland, to undertake the audit of Grampian Health Board. The original 5-year term of the appointment was extended by a further year on 9 June 2020. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General which can be accessed on the Audit Scotland website at the following link: <https://www.audit-scotland.gov.uk>

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

The Trustees of NHS Grampian Endowment Funds appointed Azets as external auditor, for the financial year 2021/22.

6. Role of the Board

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

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

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

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

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

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

7. Board Membership

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

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

Chair: Professor Lynda Lynch (to 31 December 2021)
Dr John Tomlinson, was appointed Interim Chair from 1 January 2022.

The Board appointed Dr John Tomlinson, a non-executive member of the Board, to the position of Vice Chair in June 2021 and he acted as Interim Chair during a period of absence of Professor Lynda Lynch, the Chair, from 7 June 2021, in accordance with the Board's Standing Orders. Professor Lynch resigned her position as Board Chair with effect from 31 December 2021 on health grounds, and Dr Tomlinson was approved by Scottish Ministers to continue to act as Interim Chair until the appointment of a new chair in 2022.

Vice Chair: Mrs Rhona Atkinson (to 30 April 2021)
Dr John Tomlinson (from 3 June 2021)
Mrs Luan Grugeon (from 1 January 2022)

Mrs Rhona Atkinson stepped down as Vice Chair on 30 April 2021 but remains a non-executive member of the Board. Mrs Luan Grugeon, a non-executive member of the Board, was appointed as interim Vice Chair on 1 January 2022.

Non-Executive Members:

Mrs Amy Anderson	
Councillor Ann Bell	(from 30 May 2022)
Professor Siladitya Bhattacharya	
Councillor Tracy Colyer	(from 30 May 2022)
Ms Kim Cruttenden	
Councillor Isobel Davidson	(to 30 April 2022)
Mr Albert Donald	
Ms Joyce Duncan	
Councillor Ryan Houghton	(from 25 May 2021 to 30 April 2022)
Miss Rachael Little	
Councillor Shona Morrison	(to 30 April 2022)
Mr Roderick Murray	(from 15 April 2021)
Mr Jonathan Passmore	(to 14 April 2021)
Mr Sandy Riddell	
Mr Dennis Robertson	
Councillor Ian Yuill	(from 30 May 2022)

Executive Members:

Dr June Brown	Executive Nurse Director (from 1 July 2021)
Professor Nick Fluck	Medical Director
Mr Alan Gray	Director of Finance (to 31 March 2022)
Professor Caroline Hiscox	Chief Executive
Mrs Susan Webb	Director of Public Health

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

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

Mr Alan Gray resigned as Director of Finance on 31 March 2022. Mr Gray remains an NHS Grampian employee on secondment to a role within the Scottish Government's Health Finance and Infrastructure Directorate with effect from 1 April 2022. Mr Alan Sharp, Deputy Director of Finance, was appointed to the position of Acting Director of Finance, for the period 1 April 2022 to 5 August 2022. Mr Alex Stephen was appointed as Director of Finance with effect from 8 August 2022.

Ms Rachel Little's term as Employee Director expires on 31 August 2022. Ms Little will continue as an NHS Grampian employee. Mr Steven Lindsay was appointed as Employee Director from 1 September 2022.

The Board members' responsibilities in relation to the accounts are set out in a statement on page 44 below.

8. Board Members' Interests

The Register of Interests of Board Members may be inspected by members of the public on the NHS Grampian Website at the following link <https://www.nhsgrampian.org/about-us/grampian-nhs-board/>. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2021/22 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds or as a member of an IJB that required disclosure in the accounts under IAS 24.

9. Disclosure of Information to Auditor

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

10. Remuneration for Non-Audit Work

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2021/22 (2020/21 £0).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2021/22 (2020/21 £0).

11. Public Services Reform (Scotland) Act 2010

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

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

12. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office (ICO) on 26 occasions during 2021/22 (2020/21 25). Of these, 14 did not meet the threshold for notification, but NHS Grampian notified the Information Commissioner voluntarily for their awareness. Three notifications were made and subsequently withdrawn. Recommendations were made and considered, but no enforcement action or penalties were applied by the ICO. Two incidents remain open.

13. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 19 on page 136.

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

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000 the Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of Grampian Health Board. This designation carries with it, responsibility for:

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

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

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

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

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

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2022 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

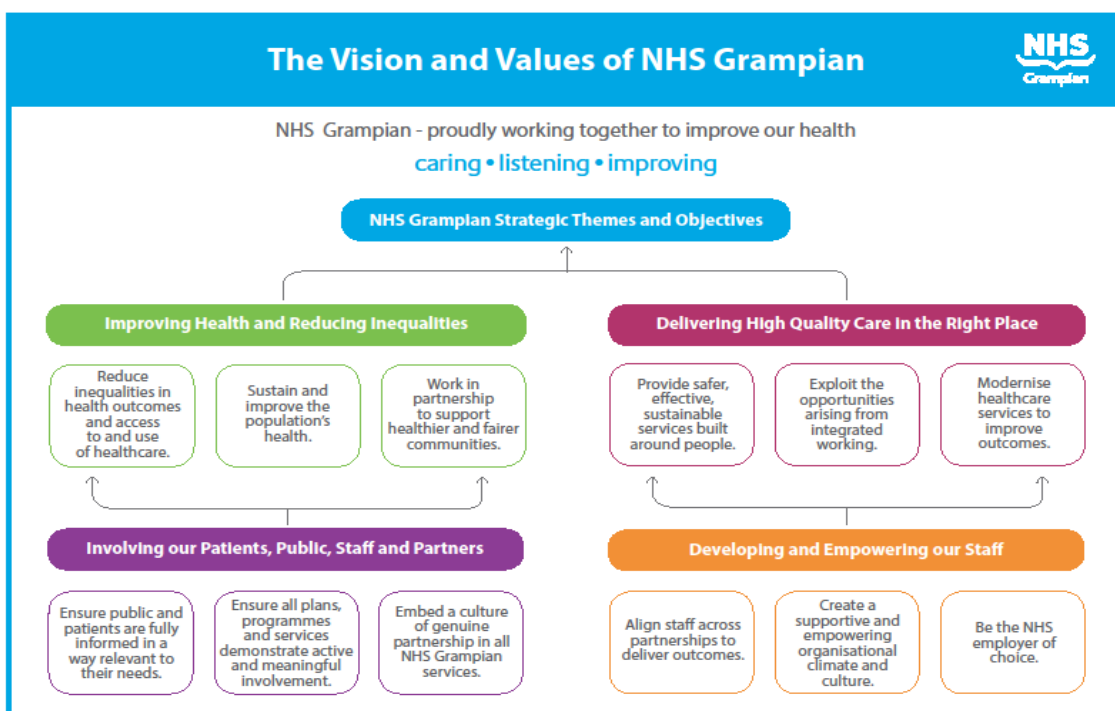
ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Grampian Clinical Strategy for 2016-2021 set out our aspiration to improve population health and health equality. The Board is now looking ahead, beyond the current COVID-19 pandemic and considering how NHS Grampian, together with the public and its partners, can make the biggest difference to the health and wellbeing of the people of Grampian with the resources we have. Following a widespread public consultation and engagement process to inform the Board’s new clinical strategy, the Plan for the Future – 2022-28, was approved by the Board on 2 June 2022. This is covered in more detail on pages 14 and 15 above.

The Board are committed to working with our partners and staff to improve the health of the people of Grampian and the clinical strategy will be developed in line with our strategic vision and values which are detailed below:



The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives. The Board’s Engagement and Participation Committee (see page 48 below) has a key role in ensuring that patients, carers and the general public are effectively informed about and involved in services and the strategic agenda in a variety of ways.

2. Assurance Framework

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

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

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

In addition, as explained in the Directors' Report on page 40, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment ("Scotland") Act 2005.

The Directors report on page 40 also explains the establishment of the three Integration Joint Boards (IJBs), in Moray, Aberdeen City and Aberdeenshire. Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of adult health and social care services to each IJB. The delegation of services is governed by an integration scheme agreed by both partners and Executive Director and Non-Executive members of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The Board's performance management arrangements reflect those services delegated to the IJBs and the Chief Officers of each IJB attend each meeting of Grampian Health Board and each of the Board's key Governance Committees as required.

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

Clinical Governance Committee

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

Membership: Dr John Tomlinson (Chair), Mrs Amy Anderson, Professor Siladitya Bhattacharya, Mrs Kim Cruttenden, Councillor Shona Morrison, Mr Dennis Robertson and two public representatives.

Staff Governance Committee

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

Membership: Ms Joyce Duncan (Chair), Mrs Rhona Atkinson, Mr Albert Donald, Miss Rachael Little, Professor Lynda Lynch (to 31 December 2021) and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

Remuneration Committee

The Remuneration Committee's main duties are as follows:

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

Membership: Ms Joyce Duncan (Chair), Mrs Rhona Atkinson, Miss Rachael Little, Professor Lynda Lynch (to 31 December 2021) and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

Audit Committee

The Audit Committee's main duties include:

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

Membership: Mr Sandy Riddell (Chair), Councillor Isobel Davidson, Mr Albert Donald (from 24 April 2021), Miss Rachael Little and Dr John Tomlinson.

Performance Governance Committee

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

Membership: Mrs Rhona Atkinson (Chair), Professor Lynda Lynch (to 31 December 2021), Mrs Joyce Duncan, Mrs Luan Grugeon, Miss Rachael Little, Councillor Shona Morrison and Mr Roderick Murray (from 9 June 2021).

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

Engagement and Participation Committee

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

Membership: Mrs Amy Anderson (Chair), Dr June Brown, Mrs Kim Cruttenden, Councillor Isobel Davidson, Professor Nick Fluck, Miss Rachael Little, Professor Lynda Lynch (to 31 December 2021), Dr John Tomlinson and Mrs Susan Webb. There is also extensive staff, clinical, management and public representation at meetings.

Endowment Sub-Committee

The Endowment Sub Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2022 valued at £49.3 million (31 March 2021 valued at £45.5 million).

Membership: Mrs Luan Grugeon (Chair), Mr Alan Gray (to 31 March 22), Professor Siladitya Bhattacharya, Cllr Ryan Houghton (from 10 June 2021), Miss Rachael Little and Dr John Tomlinson.

3. Scope of Responsibility

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

4. Board Governance Arrangements

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)³ which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes are embedded as part of our operating environment; as reflected in this statement these arrangements were adapted during 2021/22 whilst the NHS operated under emergency powers:

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

³ The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

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

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

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

4.1 Impact of COVID-19 on Board and Committee Governance

NHS Scotland remained on an emergency footing until 30 April 2022 and Board Chairs were encouraged to adopt proportionate and appropriate governance arrangements during that period, as described in the Scottish Government's Interim Director of Health Finance and Governance letter of 18 November 2020.

A revised version of the NHS Scotland Blueprint for Good Governance was issued in May 2021, encouraging an active governance approach to ask the right questions and implement the right mechanisms to ensure the organisation discharges its duties in line with its purpose and with a focus on good clinical practice. In light of that, the NHS Grampian Board agreed at its June 2021 meeting to revert back to full governance arrangements, including:

- continue with virtual Board meetings and seminars on alternate months, on the first Thursday of each month, publishing papers and minutes on the Board website and facilitating press and public attendance by joining the virtual meeting as observers,
- return all committee meetings to the pre-COVID-19 arrangements, allowing for all meetings being held virtually with a formal agenda and papers, and an assurance report to the Board after each committee meeting,
- maintain the previous cycle of Endowment Committee meetings, with meetings to be held virtually.

The Board functioned in accordance with its Standing Orders throughout the period April 2021 – November 2021. All committees met at least quarterly, with some such as the Performance Governance, Audit and endowment Committees meeting more frequently during the year.

a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)
4. Board Governance Arrangements (cont)

4.1.1 Board governance during Operation Iris December 2021 – April 2022

The Board held an additional Board meeting in November 2021, in closed session, to consider and comment on the proposed arrangements for management and operation of services for the winter period, named Operation Iris.

The Operation Iris proposals agreed formally by the Board at its meeting in December 2021 included a recommendation that ‘Board committees will continue to meet on their regular cycle of meetings to April 2022, with committees authorised to agree additional meetings as required to obtain assurance on the elements of Operation Iris that fall within their remit.’

Board governance arrangements were reviewed again in January 2022 as part of the organisation’s assessment of readiness and preparation for a further severe wave of COVID-19 caused by the Omicron variant. It was agreed that the Board would continue to meet in its regular cycle of meetings, but with an agenda for the February 2022 meeting that focused on ensuring that resources were being deployed in an effective manner to deal with the challenges of Omicron and severe pressures, and to ensure that legal and regulatory requirements were being met. Committee meetings continued as planned, with published agendas and papers, with the exception of the Engagement and Participation and Audit Committee’s which were re-scheduled from February 2022, to March 2022.

4.1.2 Stakeholder engagement

In addition to the conduct of Board business, a schedule of meetings and briefings were held with stakeholders to keep them apprised of the pressures being experienced and enable them to support the NHS Grampian response.

Stakeholders	April 2021– March 2022
MSP/MP	Monthly meetings
Staff briefings	Daily briefings
System leadership (wider cohort)	Monthly meetings
NE System Transformation Group (with local authority CEs)	Monthly meetings and regular discussions
Grampian Area Clinical Forum (GAPF)	Monthly meetings
Clinical Board	Monthly meetings
Area Clinical Forum	Monthly meetings
Board briefings	As required

4.2 Revised management arrangements implemented to respond to COVID-19

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

Remobilisation Plan 3	March 2021
Remobilisation Plan 4	August 2021 – May 2022

The priorities for RMP4 are set out in the diagram included in section 4 of the Performance Overview, Responding to COVID-19 on page 7 above.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

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

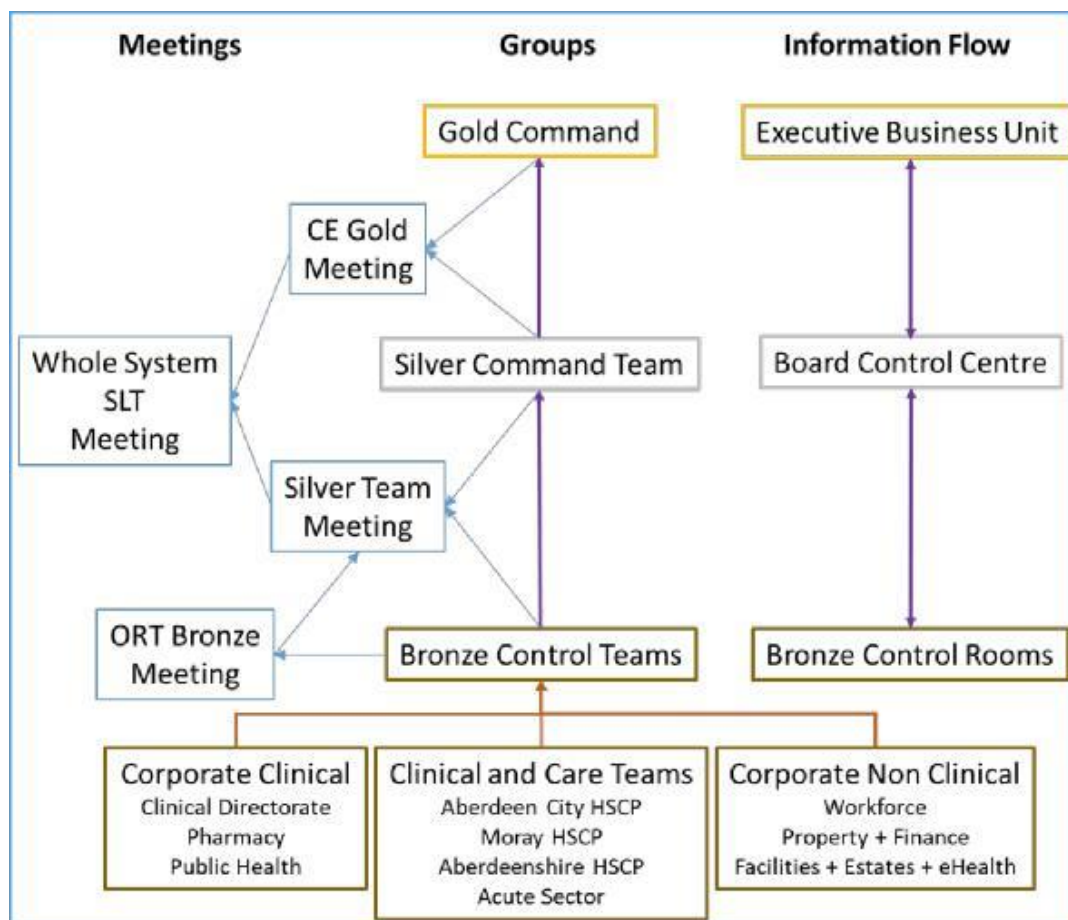
These plans set out in detail the arrangements implemented as part of our whole system response to COVID-19, with both remobilisation plans developed with staff and partner involvement and engagement.

The main operational phases of our pandemic response during 2021/22 are noted below:

Respond, Recover, Remobilise and Renew (RMP4)	April 2021
Operation Iris (implementing RMP4 during a period of extreme system pressure)	October 2021 to June 2022

In June and July 2021 there was a third wave of COVID-19 placing the health and care system under severe pressure, and the Chief Executive Team on 1 July 2021 agreed that the Operation Snowdrop Command and Control structure of Gold, Silver and Bronze meetings would be re-introduced to cope with another wave of COVID-19 and increased system pressure.

That model is illustrated below:



On 27 July 2021 Gold Command/CET took the view that the command and control structure was no longer required to manage the immediate situation and that the arrangements would be stood down from 9 August 2021 and the system would step forward into a new leadership model from that date.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

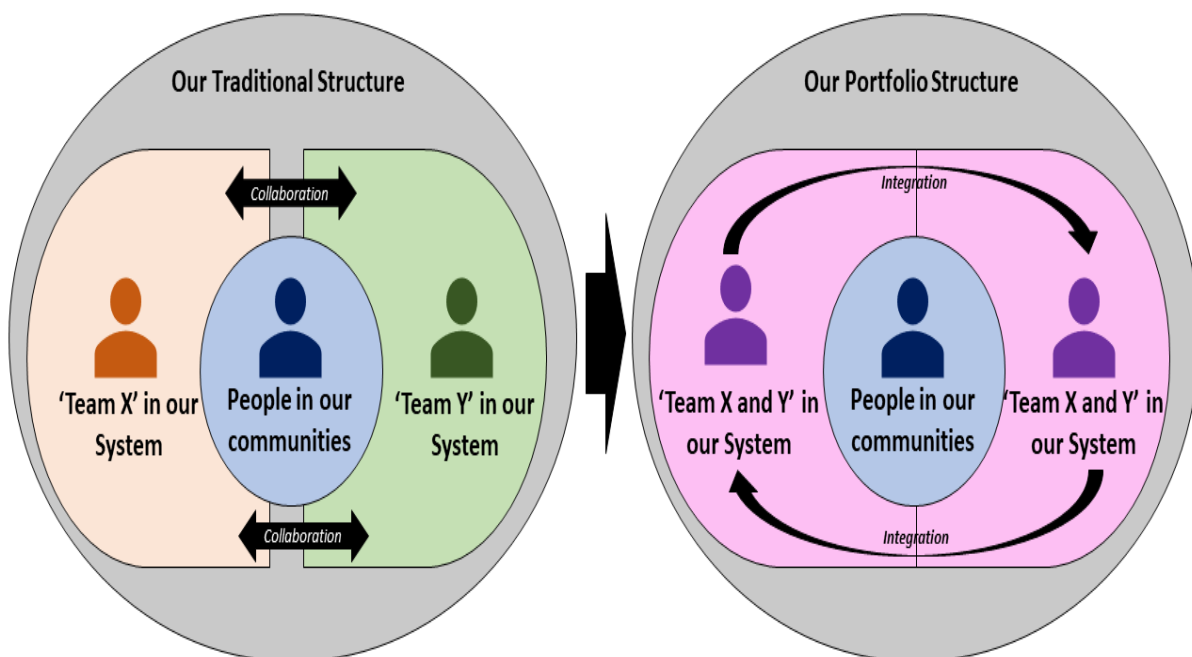
4.2 Revised management arrangements implemented to respond to COVID-19 (cont)

4.2.1 Portfolios

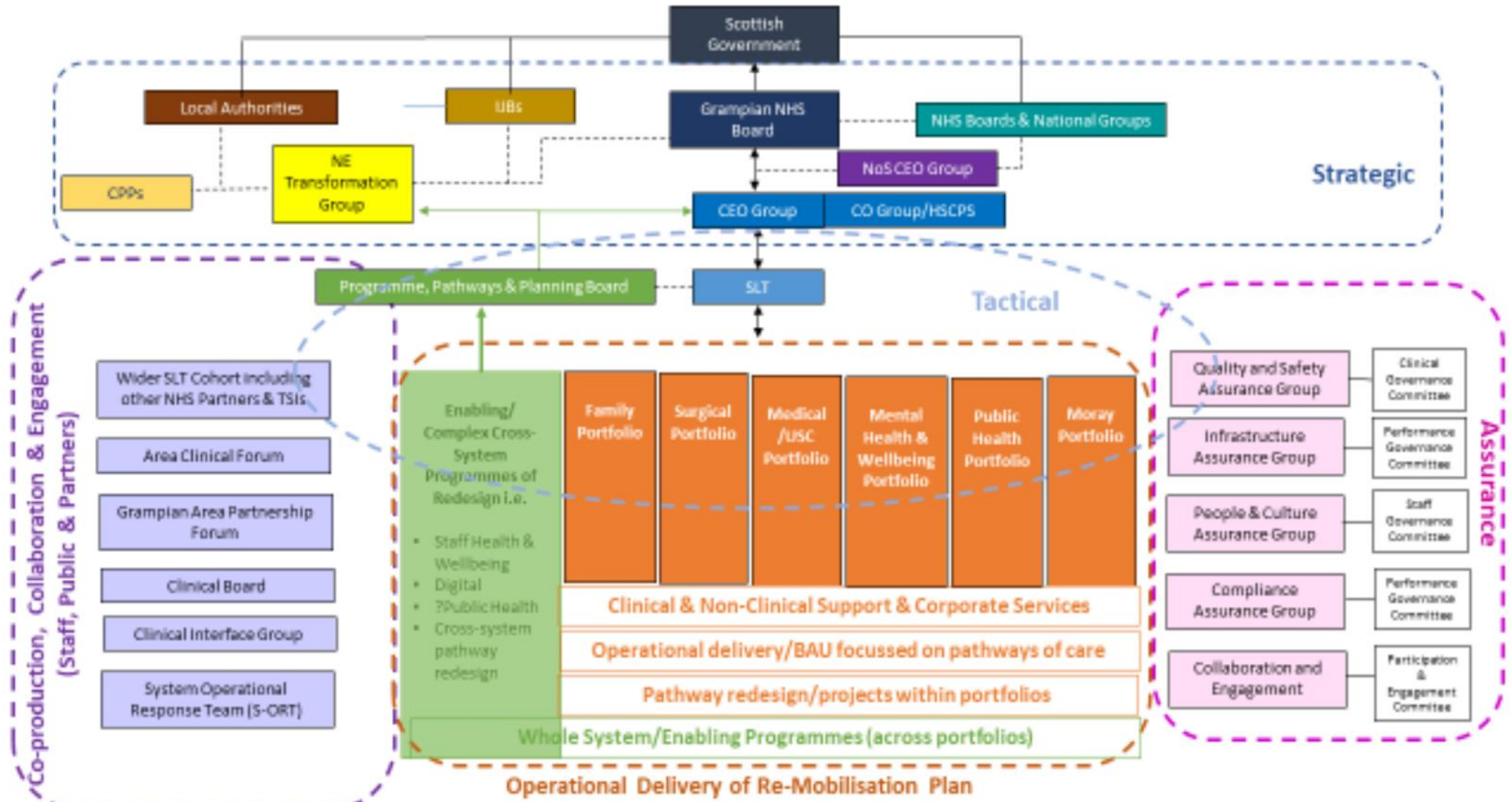
The new model was a portfolio and system leadership model, linked to development of the Grampian Operational Pressure Escalation System (G-OPES) and a system-wide plan to manage winter pressures and surge. Portfolios were originally introduced in shadow form with interim Portfolio Leads in April 2021. In order to break down silos between community-based services and hospital-based services by dispersing accountability to delegated officers and provide a structural enabler to delivering services more cohesively (as depicted below).

The NHS Grampian Board endorsed the portfolio approach at the 5 August 2021 Board meeting and work continued throughout the year to modify the model. The current configuration of the portfolios is illustrated in the organogram on page 54 below.

This system-wide plan became Operation Iris, which was approved by the Board in principle in November 2021. The Chief Executive Team (CET) agreed to further integrate how services are planned and delivered to improve the quality of care and ensure that the system is person-centred.



Proposed Organogram Structure – Transitioning Out of Operation Snowdrop (April 2021 to January 2022)



ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

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

4.2.2 Adoption of daily, weekly and fortnightly system meetings and G-OPES:

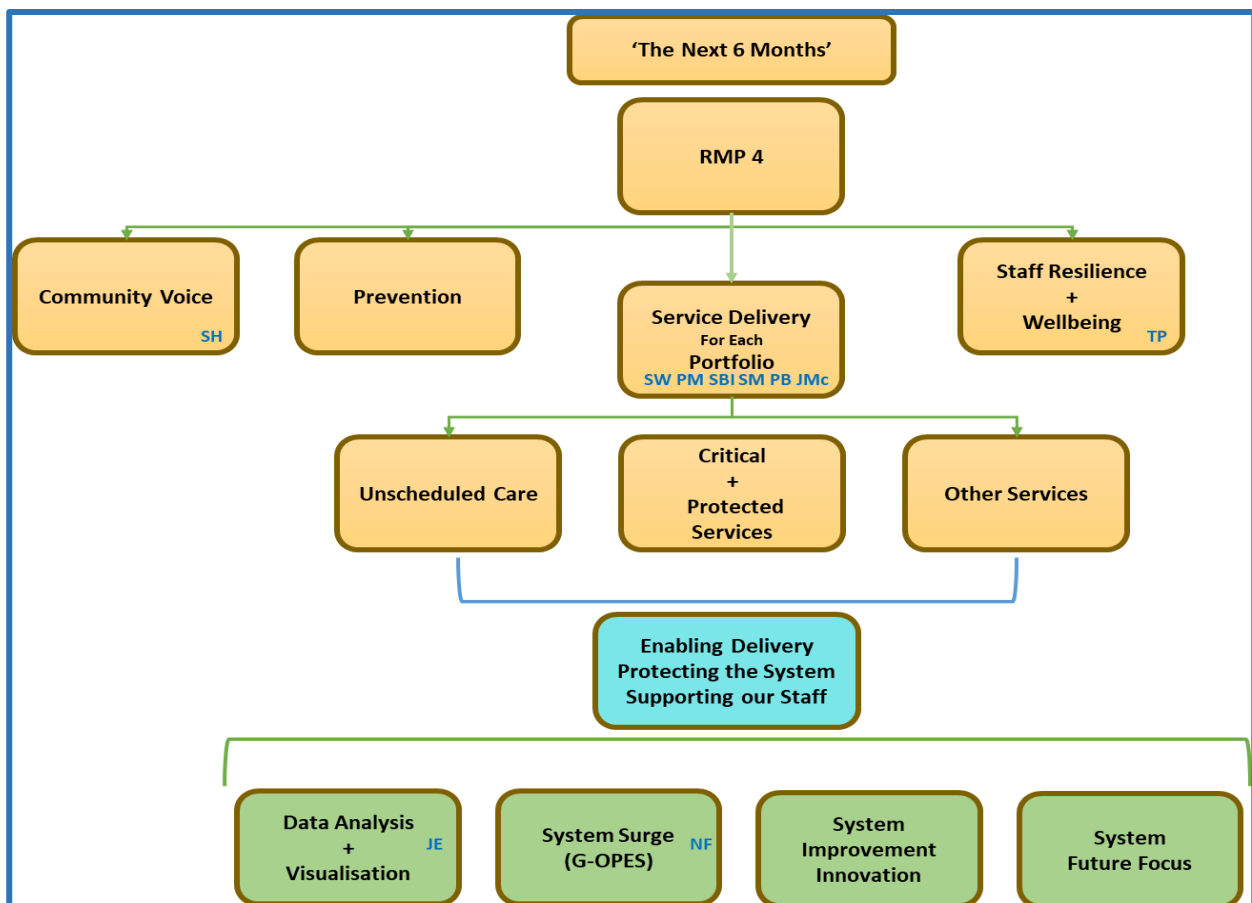
The system leadership model was designed as a 3-tier model, with a daily, weekly and fortnightly structure bringing key managers together at different levels, to ensure oversight, appropriate decision making and learning and development.

The G-OPES model was developed alongside the system leadership model. G-OPES covers 4 thresholds of how the system is coping, alongside the actions that need to be taken within a level to mitigate the risk of having to escalate further up the tiers.

Daily, weekly and fortnightly meetings of leaders across the health and care system began in August 2021 and the Chief Executive Team monitored the risks and opportunities of this emerging leadership model throughout the autumn of 2021.

4.2.3. Commencement of Operation Iris and G-OPES:

CET took the decision to implement Operation Iris on 19 October 2021, the Board endorsed this approach on 3 November 2021 at a Closed Board meeting and Operation Iris commenced on 8 November 2021. Operation Iris is a whole system approach to delivering health and care when extreme demand pressures are being experienced. The system approach is illustrated in the diagram below:



ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

4. Board Governance Arrangements (cont)

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

4.2.3 Commencement of Operation Iris and G-OPES:(cont)

Risks to delivering the objectives are managed using the G-OPES system. G-OPES was designed to work within the portfolio and system leadership models and provides:

- A single approach to evaluate pressure across health and care system
- A system view focusing on pathways of care supported by Portfolio leadership
- Goal orientated actions informed by our learning from COVID-19
- Options to increase capacity through risk/pressure based derogations of some standards
- A whole system approach to share risk and offer internal mutual aid
- Clarity for staff
- Transparency
- Specific protection of time-critical planned care

G-OPES includes at its highest levels a series of derogations to normal practice, which require decisions balancing three dimensions of quality of care against each other and using a risk and ethical based approach to reach a better overall position. Decisions about the derogations applied using G-OPES are taken by the system leadership. Regular daily or weekly meetings as appropriate confirm the G-OPES levels and the measures being applied, will be record the rationale for the decisions as outlined in the paper on the agenda, and escalate more complex situations, or decisions where the risk lies outside the agreed tolerances to the Chief Executive Team. Each week, the Chief Executive Team receives a summary of the system operational decisions.

4.2.4 Exiting Operation Iris

On 29 April 2022 the Scottish Government announced that NHS Scotland would no longer be on an emergency footing from 30 April 2022. The NHS Grampian Board at its meeting on 7 April 2022 had agreed that NHS Grampian would transition out of Operation Iris when certain conditions were met, including NHS Scotland no longer being on an emergency footing. The Chief Executive Team agreed on 3 May 2022 that the process to stand down the Major Infectious Diseases Plan and Operation Iris would commence, and determined that portfolios, the system leadership model and G-OPES would continue as business as usual, with developments of all three structures as required to adapt to deliver the organisation's new strategic plan.

4.2.5 Developing the Plan for the Future

Throughout 2021/22 there was an extensive consultation and engagement exercise with stakeholders to develop NHS Grampian's Strategic Plan for 2022 – 2028, called the Plan for the Future. It is a strategy for the organisation in the context of working in collaboration for the population of the North East of Scotland & beyond, setting out an ambitious strategic direction for the next 6-10 years. It has taken account of the strategic intent of partners, including IJBs and the 3 local authorities in the NHS Grampian Board area.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)
4. Board Governance Arrangements (cont)
4.2.5 Developing the Plan for the Future

There are 9 priorities framed within People, Places & Pathways with clear outcomes that will triangulate direction, local needs, priorities & national policy. The plan will be submitted to the NHS Grampian Board for approval in June 2022, and the delivery plan and package of supporting documents, including the workforce, medium-term financial and infrastructure plans, will be submitted to the NHS Grampian Board for approval in August 2022.

5. Purpose of the System of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process within the organisation accords with guidance from Scottish Ministers in the SPFM and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

6. Risk Management Arrangements

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

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

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

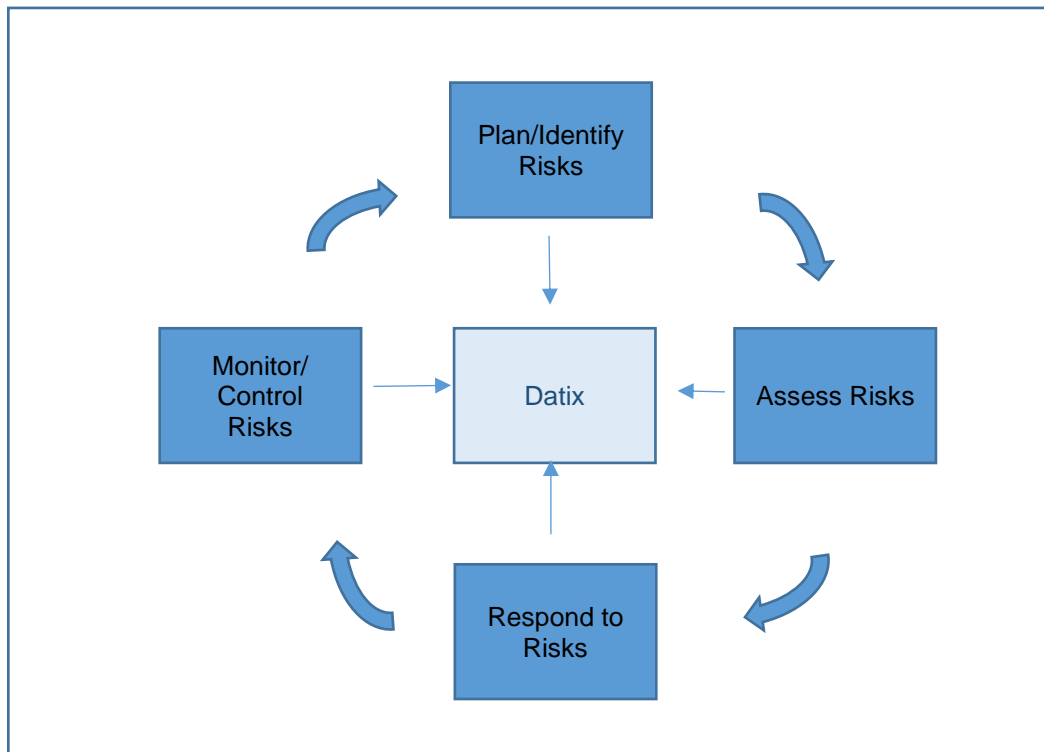
The management of risk is still evolving and will continue to do so as we react to changes in our operating environment. The past two years have seen us develop new systems and approaches to the management of risk that have brought us into line with techniques used across hazardous industries but modified to suit the unique environment of Healthcare.

6.1 Risk management Protocol

In November 2020, the board implemented a revised risk management protocol aimed at providing guidance for the management of risk throughout the risk management lifecycle. This protocol is the main element in a hierarchy of risk control, along with a risk management standard operating procedure (SOP), adopted by the SLT in January 2021, and a risk management policy, approved by Grampian Area Partnership Forum (GAPF) in May 2022.

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

The stages of the risk management lifecycle are illustrated by the diagram below :



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

- The importance of risk management to the delivery of our objectives;
- The responsibilities of staff across NHS Grampian, including regular review and updating of risk register content and risk management reporting, including evidence of the effectiveness of risk management arrangements and arrangements to ensure lessons learned are fed back appropriately into the process;
- The supporting organisational arrangements for the identification, assessment and reporting of risks;
- The steps to be taken to develop and implement mitigating action (or other management strategies);
- Use of the Datix system to facilitate the electronic recording, assessment, mitigation and reporting of risks and hazards; and
- A suite of educational and training material.

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

6.2 Performance, Assurance, Improvement and Risk (PAIR)

Risk management arrangements have evolved from an initial focus on operational risk management across our health and care system to an Enterprise Risk Management (ERM) approach, including hazard management, and strategic risk profiling, and the Performance, Assurance, Improvement and Risk (PAIR) process (implemented in April 2019 as a means of strengthening governance arrangements and providing assurance on the management of strategic risks) remains a key assurance tool.

Hazard Area	Aligned Board Assurance Committee
Quality + Safety of Clinical Care	Clinical Governance
Workforce	Staff Governance
Compliance	Performance Governance
Infrastructure	Performance Governance

Each Hazard area has also been aligned to an executive level group that considers all aspects of Performance, Assurance, Improvement and Risk within the scope of the Hazard.

Supporting this work, we have also introduced the **BOWTIE** method of Hazard analysis. This is a visual software tool that helps us consider and analyse these Hazards, showing the events that may be associated with them should we lose control of them, and crucially the threats that may lead to such loss of control.

The identification of these threats, and the possible consequences of the events they may cause, is important as it helps the development of barriers to guard against threats and establishment of mitigating actions to minimise the impact of consequences.

6.3 Strategic Risks

Risk is defined as ‘the impact of uncertainty upon our objectives’ and the impact of risk on our strategic objectives (the Strategic Risk profile) will be reviewed during 2022/23 by the executive team. This has not yet been fully completed but it is clear that the uncertain provision of health care capacity and workforce wellbeing are critical risks that make the delivery of RMP4 difficult. Our organisational plans which include Operation Iris and G-OPES are part of our mitigations to reduce this risk and avoid harm.

6.4 Risk approach to G-OPES and associated Derogations

G-OPES is an operational risk based management & decision support framework introduced as part of operation IRIS and using the Bowtie approach to carry out a risk and opportunity analysis to inform decisions on derogations. G-OPES is explained in more detail in section 4.2.3 above.

6.5 Clinical Risk Meetings

On a weekly basis all new risks identified across the system are discussed at the CRM, a weekly whole system Clinical Risk Review meeting led by the Medical and Nurse Directorates.

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

Risk information gleaned from the CRM is considered alongside other critical system information such as adverse events, complaints, health and safety reports as well as workforce support and development activities. CRM can escalate specific issues directly to the weekly Chief Executive Team meeting.

These risks are documented on a modified DATIX platform and comply with the new protocol and procedure. All risks have been framed around the principle of 'Risk is the impact of uncertainty on our objectives' and detailed using a three part risk description (Cause, Event and Consequence) similar to that used within British industry. Along with DATIX, the Illuminate tool is now widely used. It allows a selection of risks (for example, but not limited to, location, severity, consequence or date ranges) to be viewed and analysed for inclusion within reports or to support risk review meetings which cannot be achieved with DATIX alone.

7. Internal Control Matters

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

In the period covering the year to 31 March 2022 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key identified risks :

7.1 Board Development and Governance

7.1.1 COVID-19 Pandemic

The Board remained on an emergency footing throughout 2021/22, overseen and guided via local and national operational, tactical and strategic response structures. The governance arrangements in place during the year to manage the COVID-19 response and remobilisation were developed in line with guidance from the Scottish Government and are explained in more detail in section 4 above. In terms of the overall internal control environment the ongoing impact of the pandemic meant that the shift towards home working, in particular for key back office functions, was sustained throughout 2021/22. Although, the change to remote working had required the redesign of some internal controls, for example where a physical signature would previously have been required, these revised arrangements were sustained during 2021/22 and the operation of all key controls was maintained throughout and on an ongoing basis.

In December 2021, the Audit Committee received a report from the Director of Finance, on the actions taken to ensure that lessons learned during the NHS Grampian response to COVID-19 had been embedded in the remobilisation plan for the organisation. The report also outlined the response to the key actions and high level lessons included in a recent Scottish Government report regarding lessons learned during COVID-19.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)
7. Internal Control Matters (cont)

7.1.2 Heightened Cyber Security and Fraud risks

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

- Additional multi-tiered cyber security tools to provide better levels of protection at both the network border and endpoints.
- Monthly Key Performance Indicators prepared by the eHealth Cyber security team to check and act on vulnerabilities.
- Regular reminders were issued using the COVID-19 daily briefing asking all staff to remain vigilant to the heightened risks.
- The Intelligence bulletin prepared by NHS Counter Fraud services summarising COVID-19 related fraud risks, from all available sources across the public sector, is distributed internally to members of the Board's Security Group.
- Additional capacity within the IT Security team.
- The Audit Committee hosted a development session in April 2022 focused on the growing risk of fraud and cyber security. Content included interesting presentations from a PricewaterhouseCoopers LLP (PwC) forensic expert on the threat environment and a Specialist from NHS Scotland Counter Fraud Services who covered plans for the implementation of the Counter Fraud Functional Standards across all NHS Scotland Boards. The session was well-attended by Board and System Leadership Team members who welcomed the opportunity to raise their awareness of the Boards current fraud and cyber security risk profile.
- The Audit Committee also received regular briefings on counter-fraud matters, including awareness raising efforts, progress with ongoing investigations, progress with reviewing data matches as part of the National Fraud Initiative and plans to establish additional capacity in 2022/23 to support the financial governance and counter fraud agenda.
- Where it was not possible to follow normal financial governance arrangements for procurement or payment in support of the Board's COVID-19 mobilisation and recovery plans, these matters were delegated upwards to either the Deputy Director of Finance or the Assistant Director of Finance to ensure that key risk areas such as procurement without competition, payment in advance of need or payment to new suppliers were subject to appropriate challenge in terms of service risk/need, Value For Money, supplier track record, that the existence of goods ordered and verification of supplier standing data such as bank details. Any requests by suppliers for improved commercial terms such as payment in advance, under the Scottish Government procurement guidance were managed in the same way.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.1.3 Other matters affecting Board Development and Governance

- All Board Executive and Non-Executive directors have a formal annual appraisal, a key element of which is identification of the personal development requirements of each individual for the following 12 months. In addition, the Board has a bi-monthly seminar which is topic-focused and designed to support joint working in key areas linked to the Board's overall strategy.
- Continuation of arrangements for the Board's corporate register of interests including reminders to all staff on process.
- Our programme of system leadership development ensures that staff across NHS Grampian are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance.

7.2 Quality and Safety of Care

- Arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019, which is primarily focused on ensuring that we are resourced to deliver safe and effective care, are overseen by the Quality and Safety sub-group, with a reporting line to the Clinical Governance Committee. This work is also supported by the Workforce and Sustainability subgroups and a reporting method is in place to ensure the Staff Governance Committee are also properly engaged in the process.
- Continuation of the action plan, under the guidance of a multi-disciplinary Health and Safety expert group, relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations from several improvement notices served on the Board following visits in prior years by the Health and Safety Executive and Environmental Health Services.
- Work is ongoing on the actions to address the findings from a recent internal audit review of theatre utilisation involving arrangements to ensure continued review and monitoring of theatre utilisation during times of stress on the System. Data on theatre utilisation is being used to provide regular updates to theatre staff through Tableau or Illuminate so they can easily visualise the progress of the theatre lists on a given day.
- Work on the final two wards in the programme of ligature reduction works for all acute mental health admission wards, was completed in October 2021 but unfortunately water testing prior to occupancy have identified some historical systemic water quality issues which have delayed occupancy. A solution has now been identified and an additional programme of works is under development to rectify the problem. This work is overseen by a dedicated programme Board. The Ligature reduction works were necessary to comply with an improvement notice served by the Health and Safety Executive in October 2017.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.2 Quality and Safety of Care (cont)

- In March 2021, an External Review Group was commissioned by the Cabinet Secretary to report on maternity services in Moray and propose a future obstetric model that would provide safe, deliverable, sustainable, and high quality maternity services for the women and families of Moray in line with the Scottish Government ambition described in 'The Best Start: A Five Year Forward Plan for Maternity and Neonatal Care in Scotland (2017)'. The Review Team was led by the Chief Executive NHS Borders and its subsequent report was published on 6 Dec 2021 and can be found at the following link <https://www.gov.scot/publications/report-moray-maternity-services-review/>
 - The Review Group focused on listening to as wide a range of stakeholders as possible and then used the professional input of the clinical experts to reach a series of conclusions and recommendations. The recommendation was for implementation of a **Moray Networked Model** in the next 2 years that would see Dr Gray's Hospital operate primarily as a Community Midwife – Led Maternity Unit with access to consultant intrapartum care in Raigmore and Aberdeen, including emergency and urgent transfers.
 - Subject to Dr Gray's Hospital fully functioning as a District General Hospital with appropriate investment and staffing, it is also proposed that within 2-5 years, the model should evolve to a **Rural Consultant-Supported Maternity Unit**. This would see midwives supported by consultants to provide intrapartum care to risk assessed women, with 24/7 on call cover.
 - More immediate timeframes are recommended for definition of transport protocols between Dr Gray's Hospital and Aberdeen and the re-introduction of caesarean sections to Dr Gray's Hospital under the care of Obstetrics and Gynaecology Consultants.
 - Implementation will be overseen by a Joint Maternity Programme Board supported by a core group of colleagues from NHS Grampian and NHS Highland to oversee the development of the individual and collaborative programme approaches.

7.3 Infrastructure

- Enhanced monitoring arrangements remain in place for our capital and infrastructure projects to address the impact on design, programme of market forces in the construction industry, driven by COVID-19, material and labour shortages, transport and supply chain issues and more recently geopolitical events including armed conflict.
- Governance arrangements for our major capital projects now include the requirement for an independent external design review following recent learning from other large health sector projects.
- Arrangements are in place to ensure that available resource is allocated based on assessed risk criteria and with due regard to deliverability.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.3 Infrastructure (cont)

- The Audit Committee receive an annual update on progress against backlog maintenance risks.

7.4 Innovation and Transformation

- Formal governance arrangements in line with the Prince2 methodology are in place to ensure the co-ordination and delivery of the multiple projects that constitute the Electronic Patient Record programme, a critical technological step for the Board towards our objective of reducing dependency on paper medical records. In addition to improving access and security of the records, enabling the conversion of medical records from paper into an electronic form significantly reduces the risk of damage to the records due to flood or fire and reduces the fire risk for those buildings where records are held.
- Medical Records for all new patients using ARI, are now either held electronically from the outset or retrospectively scanned using our new facility. Work continues to scan all existing records for patients at ARI and Aberdeen Maternity Hospital into electronic form.

7.5 Workforce

- Although the use of temporary agency staff reduced considerably during the COVID-19 pandemic, utilisation has started to increase again as we re-mobilise our elective services. Senior Management continue to closely manage the engagement process relating to agency medical and nursing staff. This includes scrutiny of the justification for all agency staffing requests.
- A Steering Group has been created to lead the process of development of a single supplementary staffing bank for NHS Grampian.
- A recent review by our internal auditors, at the request of the Medical Director, has considered the arrangements that exist within external agencies to provide assurance of the effectiveness of pre-employment checks on staffing put forward to fulfil temporary engagements with the Board. The review was delayed due to the COVID-19 pandemic but management are now considering the appropriate actions to address the recommendations. This work is being led by the Supplementary Staffing Steering Group.
- Recruitment of staff in clinical roles remains a key challenge, with continuing pressures around recruitment into Senior Medical roles and in critical skilled nursing and clinical support roles, for example, theatre nursing. Throughout the year the Board continued to apply, in partnership, robust vacancy management processes to ensure staff were deployed to the areas of greatest need.
- The staffing report on page 74 provides more detail on the various recruitment initiatives underway.

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)
7. Internal Control Matters (cont)

7.6 Compliance

- The Audit Committee received regular progress reports throughout the year on the work of the Compliance Sub-Group from the Director of Facilities and eHealth. This is an evolving area of work and positive progress is being made, particularly in the comprehensive mix of attendees and the positive system wide engagement on key compliance issues.
- Action remains ongoing to address the requirements of the General Data Protection Regulations, which took effect on 25 May 2018. The Information Commissioner's Office will audit all Scottish Health Boards during 2022/23 and we are working towards that process at present. The outcome of that audit, along with a new strategy and action plan which will be implemented as the service recovers from the pandemic, will inform development in this domain. The Board has moved to the OneTrust system and is using that to enhance the visibility of its records of processing activity.
- A voluntary Progress Update Review in respect of the action plan to meet the requirements of the Board's Records Management Plan was undertaken with National Records of Scotland (NRS) during 2020. A review did not take place in 2021 due to a vacancy in the Board's Corporate Records Manager position. A new post holder is now in place and the Board has committed to a Progress Update Review with NRS in 2022.
- An information security group is in place to co-ordinate all cyber security matters including those relating to medical devices. The group has links to all aspects of the eHealth governance structure including the Information Governance Steering Group and reports through the PGC via the Board's Security Group and Civil Contingencies Group and is responsible for the following actions :
 - Review existing cyber security policies and procedures, including access management controls, threat and vulnerability and patch management, to ensure that the arrangements for cyber security of medical devices, including roles and responsibilities, are appropriately reflected in extant guidance for the service.
 - Procedures to ensure the periodic review of cyber security risks, including those identified for medical devices, reported in the Board's risk management system (Datix), and that, where appropriate, this information is reconciled to equipment asset registers.
 - Working closely with key stakeholders such as Information Security, Information Governance and Procurement teams, develop local guidance for the incorporation of Information Security requirements within the procurement specification and tender process.
 - A formal reporting process where designated service leads will be required to provide assurance regarding compliance with cyber security guidance within their designated area.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7. Internal Control Matters (cont)

7.6 Compliance (cont)

- Periodic penetration testing of medical device security.
- A process is now in place administered by the Board's Medical Equipment Management Service to ensure that all medical equipment assets across NHS Grampian are recorded on the Board's equipment asset register, including relevant cyber security information.
- Following successful implementation of an action plan by NHS National Services Scotland (NSS) to address the matters that gave rise to a qualified audit opinion on the service audit report for Practitioner Services in 2020/21 and 2019/20, the independent auditors for NSS gave an unqualified audit opinion in 2021/22. NSS have also built into their internal audit programme from 2022/23 a financial controls audit for Family Health Services. This will look at a different contractor stream each year on a 4 year rolling basis.

7.7 Involvement and Engagement

- Through liaison with the North East Partnership Steering Group (NEPSG), the Board continue to progress agreement on a consistent vision and values aimed at ensuring a consistent message in all communication between clinical staff, service users and their carers.
- The Board's assurance framework recognises the role of staff side and the advisory structure in supporting the work of Board sub-committees and to clarify the role and importance of the Engagement and Participation Committee as a core governance committee of the Board.

7.8 Collaborative Working

- Agreement to share, reciprocally, all relevant internal audit reports with the Audit Committees of the IJBs and partner organisations, and where appropriate, to co-ordinate internal audit activity across sectors. In line with this principle NHS Grampian's internal audit programme for 2021/22 included dedicated audit time in support of Health and Social Care Integration activities with the scope agreed jointly by the three IJB Chief Officers.
- The Audit Committee remain focused on the opportunities for closer working with the three Integration Joint Boards (IJB's), in particular the potential to improve the effectiveness of internal audit activity across the partners through collaborative working. In this context a joint review of Data Sharing was agreed as an initial test of approach intended to provide assurance across the whole system and time was incorporated in the Board's Internal Audit programme for 2021/22 in order to support this work although this work has subsequently been deferred to 2022/23 to tie in with a planned inspection from the Information Commissioners Office.

8 Best Value

I can confirm that Grampian Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the Scottish Public Finance Manual.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

8. Best Value (cont)

The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that they are part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to seek opportunities to enhance the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

9 Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submits regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by the Board's external auditor and the external auditors of the NHS Grampian Endowment Funds;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports from Health Improvement Scotland and other inspection agencies;
- Transparent reporting and analysis of the Board's financial performance through the Performance Governance Committee, including the extent to which the Board is reliant on non-recurring sources of funding to achieve our financial targets; and
- An annual briefing to the Audit Committee on progress against the backlog maintenance implementation plan aimed at reducing high risk backlog maintenance in clinical areas and compliance with climate change legislation.

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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

9. Review of Adequacy and Effectiveness (cont)

- Assurance from the External Auditor of the NHS Grampian Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment Funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the Governance Statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the Annual Accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

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

10. Disclosures

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

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

The tables on pages 70 - 72 in the Remuneration and Staff Report and the tables notes 2, 4 and 10 on pages 77, 78 and 80 have been subject to audit by the Board's External Auditor. The other sections in the Remuneration and Staff Report are reviewed by the External Auditor to ensure they are consistent with the financial statements.

i) THE REMUNERATION REPORT

Remuneration of Executive and Non-Executive Members

The total remuneration disclosed on pages 71 to 72 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

Board Members' Contracts of Employment

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS(ESM) 2021/3.

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

Assessment of Performance

The performance assessment process for the Executive and Senior Management Cohort is in accordance with PCS (ESM) 2021/3. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of Grampian Health Board in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members, following review by the Chief Executive and Chair, is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chair. For Non-Executive members, the process is also undertaken by the Chair and written evidence is submitted to the Cabinet Secretary for Health and Wellbeing.

The progression of the Executive and Senior Management Cohort through the pay range is subject to, as a minimum, the fully acceptable performance of the individual. A National Performance Management Committee as detailed in PCS (ESM) 2021/3 ensures, on behalf of the Scottish Government, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives subject to Ministerial Direction.

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

Remuneration Committee

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

Further information including membership of the Remuneration Committee, is included in the Governance Statement on page 47 above.

Relationship between the highest paid Director and the workforce median remuneration

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

	2021/22	2020/21	Change
	£000s		%
Range of staff remuneration	20 – 360	19-374	
Highest earning director's remuneration	245-250	205-210	18.8%
Median (<i>Total pay & benefits</i>)	33.0	32.2	2.7%
Median (<i>Salary only</i>)	33.0	32.1	2.7%
Ratio	7.51	6.49	15.7%
25th percentile (<i>Total pay & benefits</i>)	22.0	21.5	2.2%
25th percentile (<i>Salary only</i>)	22.0	21.5	2.2%
Ratio	11.28	9.71	16.2%
75th percentile (<i>Total pay & benefits</i>)	55.0	55.5	-0.9%
75th percentile (<i>Salary only</i>)	55.0	55.4	-0.7%
Ratio	4.51	3.76	19.9%

Commentary

The highest earning Director in 2021/22 was the Acute Medical Director who was included in the remuneration report for the first time, due to a change in the organisations Leadership and Management structure. The highest earning Director in 2020/21 was the Board Medical Director. Both roles exist to ensure effective clinical leadership to the organisation. The increase in ratio of median pay to highest earning Director between years relates to the Higher level of remuneration earned by the Acute Medical Director in 2021/22. This relates mainly to an additional payment for direct clinical operating sessions worked during the year as part of the Board's waiting list Initiative. The increase in median pay and also at the 25th percentile is broadly as expected, in line with the 2021/22 pay award. The median pay at the 75th percentile has dropped slightly over the prior year reflecting the impact of turnover in staff during the year which offsets the cost of the pay award.

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2022

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2021/22.

Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2021/22 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2022 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2022 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/21	Cash Equivalent Transfer Value (CETV) at 31/3/22	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Remuneration of:														
Executive Members														
Chief Executive - Professor Caroline Hiscox	140-145	0	0.0	140-145	100	240-245	35-40	5-7.5	70-75	7.5-10	541	637	96	
Medical Director - Professor Nick Fluck	210-215	0	0.0	210-215	0	210-215	60-65	0	180-185	0	1,372	1,404	32	
Director of Finance - Mr Alan Gray (to 31 March 2022)	145-150	0	6.2	150-155	40	190-195	30-35	2.5-5	0	0	434	487	53	
Executive Nurse Director - Dr June Brown	110-115	0	0.0	110-115	65	175-180	30-35	2.5-5	70-75	5-7.5	491	560	69	
Director of Public Health - Mrs Susan Webb	130-135	0	0.0	130-135	62	190-195	55-60	2.5-5	115-120	2.5-5	998	1,081	83	
Non Executive Members														
Chair - Professor Lynda Lynch (to 31 December 2021)	b	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	
Interim Chair - Dr John Tomlinson (from 7 June 2021)	b/e	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Amy Anderson	e/k	35-40	0	0	35-40	6	40-45	0-5	N/A	N/A	3	7	5	
Mrs Rhona Atkinson	e	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	
Professor Siladitya Bhattacharya	e/j	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Ms Kim Cruttenden	c/e	100-105	0	0	100-105	26	125-130	20-25	0-2.5	40-45	328	356	28	
Councillor Isobel Davidson (to 30 April 2022)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Albert Donald		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Ms Joyce Duncan	e	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Luan Grugeon	e	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Ryan Houghton (from 25 May 2021 to 30 April 2022)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Miss Rachael Little	d/e	65-70	0	0	65-70	16	80-85	15-20	0-2.5	0	148	161	12	
Councillor Shona Morrison (to 30 April 2022)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Roderick Murray (from 15 April 2021)	e/g	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Jonathan Passmore (to 14 April 2021)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Sandy Riddell	e	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Dennis Robertson	e	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	
SENIOR EMPLOYEES														
Director of Facilities and eHealth - Mr Paul Allen	a/l	115-120	0	7.3	125-130	27	150-155	30-35	0-2.5	50-55	0	533	573	40
Acute Medical Director and Portfolio Lead (Surgery & clinical Support) - Mr Paul Bachoo	a/l	245-250	0	0.0	245-250	37	280-285	55-60	2.5-5	145-150	0	1,224	1,294	70
Chief Officer Moray IJB and Portfolio Lead Moray - Mr Simon Bokor-Ingri	a/i	105-110	0	0.0	105-110	64	170-175	40-45	2.5-5	85-90	2.5-5	744	823	79
Director of Strategy and Deputy Chief Executive - Dr Adam Coldwells		135-140	0	0.0	135-140	32	170-175	55-60	2.5-5	110-115	0	968	1,022	53
Chief Officer Aberdeen City IJB and Portfolio Lead Medicine & Unscheduled Care/Mental Health - Ms Sandra Macleod	a/i	120-125	0	0.0	120-125	32	150-155	5-10	0-2.5	0	0	72	105	33
Acute Nurse Director and Portfolio Lead (Family) - Ms Janet McNicol	a	95-100	0	0.0	95-100	71	165-170	40-45	2.5-5	130-135	10-15	915	1,024	96
Chief Officer Aberdeenshire IJB and Portfolio Lead Aberdeenshire - Ms Pamela Milliken (from 10 May 2021)	a/f/i	85-90	0	0.0	85-90	73	160-165	35-40	2.5-5	90-95	5-10	653	739	85
Director of people and Culture - Mr Tom Power		100-105	0	0.0	100-105	32	130-135	15-20	0-2.5	0	0	176	206	30

NOTES :

- a) The number of senior employees disclosed in the remuneration report is expanded to reflect changes in the organisations Leadership and Management structure with effect from 1 April 2021, designed to support the short term system challenges arising from the ongoing management of the COVID pandemic and also to support the planned implementation of portfolio management arrangements to deliver strategic change.
- b) The Board appointed Dr John Tomlinson as Vice Chair in June 2021 and he acted as Interim Chair during a period of absence of Professor Lynda Lynch, the Chair, from 7 June 2021, in accordance with the Board's Standing Orders. Professor Lynch resigned her position as Board Chair with effect from 31 December 2021, and Dr Tomlinson was approved by Scottish Ministers to continue to act as Interim Chair until the appointment of a new chair in 2022.
- c) The remuneration disclosure for Ms Kim Cruttenden includes total earnings both in her role as a Senior Clinical Pharmacist with NHS Grampian and for her additional duties as an NHS Board member.
- d) Miss Rachael Little worked in a full time capacity as Employee Director of NHS Grampian.
- e) Non Executive Board Members who were members of the Integration Joint Boards (IJB's) and who assumed additional responsibilities during the year received additional remuneration.
- f) Ms Pamela Milliken was appointed as Chief Officer of the Aberdeenshire Integration Joint Board on 10 May 2021. Her full year equivalent salary is in the range £95k-£100k.
- g) Mr Roderick Murray was appointed to the Board on 15 April 2021 and assumed additional responsibilities during the year. His full year equivalent salary is in the range £15k-£20k.
- h) Mr Jonathan Passmore's appointment to the Board expired on 15 April 2021. His full year equivalent salary is in the range £15k-£20k.
- i) Integration Joint Board (IJB) Chief Officers who assumed additional responsibilities as Portfolio Lead, received no additional remuneration. The remuneration and pension benefit disclosed relates to their role as Chief Officer and this is also disclosed in the respective IJB Annual Report and Accounts.
- j) Professor Siladitya Bhattacharya was an employee of the University of Aberdeen, School of Medicine and Dentistry. The remuneration disclosed above represents the fee paid to the University with regard to his duties as a non executive member.
- k) The remuneration disclosure for Mrs Amy Anderson includes total earnings both in her part time role as part of NHS Grampian's Health Promotion team and for her additional duties as an NHS Board member.
- l) A recent decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Consequently those members of the pre -2015 schemes (i.e. 1995 and 2008 schemes) who received transitional protection and moved to the new post-2015 CARE arrangements on or after 1 April 2015, will be allowed a choice of scheme i.e. whether to be a member of the old scheme (1995 or 2008) or the new 2015 scheme for the period after 1 April 2015 up to 31 March 2022. Timing for implementation of these changes will be agreed during 2022/23 and the disclosed pension benefit figures for those above who are affected may change in future years.

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2021

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

Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2020/21 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2021 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2021 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/20	Cash Equivalent Transfer Value (CETV) at 31/3/21	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Remuneration of:														
Executive Members														
Professor Amanda Croft	b	110-115	0	0.0	110-115	146	255-260	55-60	5-7.5	175-180	20-22.5	1,110	1,291	159
Professor Nick Fluck		205-210	0	0.0	205-210	0	205-210	55-60	0	175-180	0	1,301	1,331	30
Mr Alan Gray		140-145	0	6.0	150-155	39	185-190	25-30	2.5-5	0	372	421	49	
Professor Caroline Hiscox	a/i	130-135	0	0.0	130-135	93	225-230	30-35	5-7.5	60-65	7.5-10	431	516	86
Mrs Susan Webb	c/i	155-160	0	0.0	155-160	45	200-205	50-55	2.5-5	110-115	2.5-5	894	968	74
Non Executive Members														
Chair - Professor Lynda Lynch		40-45	0	0	40-45	N/A	40-45	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson	f	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	f/j	30-35	0	0	30-35	4	35-40	0-5	0-5	0	0	3	3	
Professor Sitaditya Bhattacharya		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Ms Kim Cruttenden	d	95-100	0	0	95-100	31	125-130	20-25	0-2.5	35-40	0-2.5	287	317	30
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Albert Donald		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Ms Joyce Duncan	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Luan Grugeon	f	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	
Miss Rachael Little	e/f	60-65	0	0	60-65	19	80-85	10-15	0-2.5	0	129	143	14	
Councillor Douglas Lumsden (to 19 March 2021)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Shona Morrison		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Jonathan Passmore	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Sandy Riddell	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Dennis Robertson	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	
Mr John Tomlinson	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	
SENIOR EMPLOYEES														
Dr June Brown (from 2 November 2020)	g	35-40	0	0	35-40	39	75-80	25-30	2.5-5	65-70	7.5-10	387	476	90
Dr Adam Coldwells	i	135-140	0	0.2	135-140	46	185-190	50-55	2.5-5	110-115	0-2.5	875	939	64
Mr Tom Power (from 1 July 2020)	h	70-75	0	0	70-75	35	105-110	10-15	2.5-5		134	171	37	

NOTES :

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

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

1. The Workforce

The Board would like to take this opportunity to recognise the significant efforts and vital contribution of all staff over the last year, and in particular through the period of Operation Iris which has seen further unprecedented pressures on the organisation. Their continued commitment and flexibility during this period has been significant in providing health and care to the population of Grampian. Colleagues have worked collaboratively across the system despite raised absence levels due to COVID-19 and increasing service demand from the pandemic and its broader impacts.

Ensuring Good Staff Governance

NHS Grampian works in Partnership with staff side colleagues to achieve the NHS Scotland Staff Governance Standard. This places requirements on the organisation to ensure that all staff are:

1. Well-informed;
2. appropriately trained and developed;
3. involved in decisions;
4. treated fairly and consistently, with dignity and respect, in an environment where diversity is valued; and
5. provided with a continuously improving and safe working environment, promoting the health and wellbeing of staff, patients and the wider community.

This Standard aligns with the system's focus during the year, and particularly during Operation Iris, on the agreed priorities throughout 2021/22 of:

1. Keep staff safe and help them to maximise wellbeing
2. Protecting Critical Services and reducing harm and
3. Responding to demand on the health and care system

In this respect, the following are noteworthy, and have been the subject of assurance updates provided to the Staff Governance Committee throughout the year.

Resourcing the Organisation

Throughout 2021/22 the Board has been operating under emergency measures and has continued to invoke the Management of the Workforce during a Major Incident Including a Pandemic Policy. This has supported the flexible utilisation of existing workforce capacity, including the temporary deployment of staff throughout the system. In addition, fixed-term contracts were used to support winter pressures and the very significant vaccinations and test and protect programmes. Supplementary staff were aligned to services with the greatest need to maintain safe staffing levels.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT
1.The Workforce (cont)

Recruitment and On-boarding

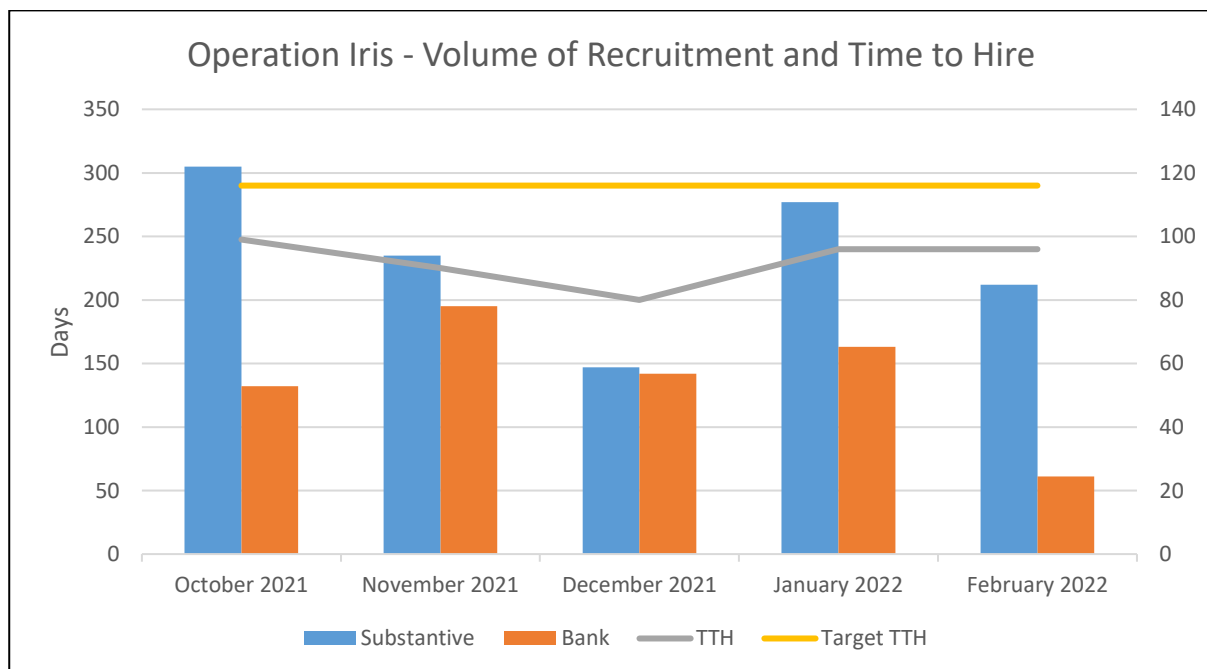
To support responsive recruitment and on boarding of additionally funded fixed-term and substantive posts, a cross-system group was convened to:

- Co-ordinate rapid recruitment and on boarding through the various recruitment pipelines
- Identify a single, consistent dataset for each pipeline to enable cross-system reporting
- Identify and anticipating workforce demands/capacity constraints within each pipeline
- Escalate requests for resources where demand exceeds capacity

The recruitment pipelines identified were healthcare students; newly graduated nurses; enhancing the NMAHP Bank; converting bank staff to fixed-term contracts; a Health and Social Care recruitment campaign with local authority partners; international recruitment; specific work to recruit registered nurses and an expansion of healthcare support workers using additional national funding.

Targeted funding provided support to the recruitment and on boarding pipeline to provide departments to increase the available workforce. During the Operation Iris period, a total of 1,176 substantive staff and a further 693 bank staff were recruited. This includes 534 substantive and 438 bank nursing/midwifery staff.

The Scottish Government set a target time to hire of 116 days. During Operation Iris, the average time to hire was reduced to 92 days.



ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT
1.The Workforce (cont)

Temporary Deployment

Temporary deployment of staff was simultaneously part of the response to meet workforce gaps. On the whole this happened within local services and was based on individual service need and workforce availability.

A formal process was implemented and managed through a Deployment Hub to address specific resource needs around Operation Iris and in particular the need to resource additional surge wards / beds.

Learning was identified from previous deployment experiences during the earlier stages of the pandemic. These helped to refine the process including the person centred and compassionate approach.

All corporate services were asked to complete a *Workforce Prioritisation Assessment Template – Capacity* to support the workforce demands based on 6 weighted criteria. A similar *Workforce Prioritisation Assessment Template – Demand* was completed by areas who required staff. These templates were then used to support prioritisation of staff capacity for deployment. Outcomes were collated and assessed through the Deployment Group and an overall status reported through to the Workforce Cell established during Operation Iris.

Additional Hours and Overtime

Additional hours and overtime were also a feature of ensuring a safe workforce and meeting the service requirements triggered by COVID-19 and winter pressures. The continued use of the variation order issued from the Scottish Government in March 2020, which temporarily expanded the staff groups eligible to receive overtime payments in relation to the COVID-19 response, was reviewed and agreed by the Remuneration Committee in April 2020, September 2020 and March 2021.

Supplementary Staffing

Whilst the significant pressures of winter 2021/22 required greater use of agency staff than anticipated, work to progress commitments to reduce the costs of agency and supplementary staffing continued. This has included the introduction of direct engagement for Medical Locums to mitigate the impact of IR35 costs being passed on to the Board by Agencies. Scoping of a Medical staff bank has also commenced, with the intent of moving to a single staff bank remaining a priority for the early years of Our Plan for the Future.

Targeted Health and Wellbeing Support

To support staff through this period the Board further developed and embedded in Partnership 'We Care', a Health and Wellbeing Programme to align and improve access to existing support for staff wellbeing. This encouraged teams to integrate wellbeing into their work practices and to support a wellbeing culture in the workplace. A range of training, resources, activities and information to support staff health and wellbeing were implemented through 5 workstreams:

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

ii) STAFF REPORT

1.The Workforce (cont)

- Personal Resilience and Mental Health;
- Leadership and Management Support;
- Team Support and Team Recovery;
- Remote and Hybrid Working; and
- Healthy Lifestyle.

All are designed around staff, and their feedback around needs has been used to ensure that they are relevant and accessible. This and other staff wellbeing support provided through Occupational Health Services (see Section 5 below) was commended by the Board's internal auditors in October 2021.

Developing Culture and Enhancing Staff Experience

In 2021/22, the Board has continued its work to develop Culture and enhance Staff Experience across the system. A multi-faceted approach has been taken to engaging staff in the development of the culture, values and behaviours that we aspire to consistently achieve in the organisation.

This work is recognised as crucial to the delivery of regeneration and growth as well as the health and wellbeing of staff. At the core of this work has been development of the Culture Collaborative that started in October 2021, an open forum for staff to help shape and share the culture blueprint for Our Plan for the Future, and implementation of the Best Practice Australia Culture Survey, rolled out to over half of the Board's employees (across Nursing & Midwifery and Estates & Facilities) in February 2022.

Throughout the year a range of methods were used to gather feedback from staff as a means of understanding the *organisational temperature* and engaging their perspectives on working for the Board. These included three quarterly *We Care* Pulse Surveys, and the 2021 iMatter Pulse Survey and subsequent Action Planning process. On particular themes, short question sets were issued via the Daily Brief to determine staffs' perspective on specific topics.

Recognition of staff has also been a key theme over the last 12 months. From January 2022 long service awards commenced in 2020/21 have been resumed, with 395 staff invited and 120 colleagues with 25, 35 or 40 years' service attending. Events were supported by Executive Directors and Non-Executive Board members.

The launch of the Staff Thanks and Recognition (STAR) Awards was also implemented during 2021/22 with an approach that recognises staff and teams who are nominated by colleagues for their contribution. From December 2021 we have made 149 awards to staff and teams from all corners of the organisation.

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

2. Staff Numbers and Costs

The following table summarises total staff costs and numbers for 2021/22 and the prior year:

STAFF COSTS	Notes	Executive Board Members £000's	Non Executive Board Members £000's	Permanent Staff £000's	Inward Secondees £000's	Other Staff £000's	Outward Secondees £000's	2021/22 Total £000's	2020/21 Total £000's
Salaries and wages		1,772	422	642,139	0	6,097	0	650,430	622,008
Taxation & Social Security costs		229	38	63,556	0	0	0	63,823	58,980
NHS scheme employers' costs		304	27	110,448	0	0	0	110,779	102,547
Secondees		0	0	0	692	0	(43,175)	(42,483)	(40,121)
Agency staff		0	0	0	0	24,302	0	24,302	19,483
TOTAL		2,305	487	816,143	692	30,399	(43,175)	806,851	762,897
Compensation for loss of office		0	0	0	0	0	0	0	6
TOTAL STAFF COSTS	b	2,305	487	816,143	692	30,399	(43,175)	806,851	762,903

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 206 217

STAFF NUMBERS

		5	0	14,701	0	0	0	14,706	Average W.T.E	Average W.T.E
Whole time equivalent (WTE)										

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

Included in the total staff numbers above were staff with a disability: 59 49

Notes :

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

Total employee expenditure disclosed in Note 3 operating Expenditure	849,820	803,300
Deduct outward secondees	(43,175)	(40,614)
Add salaries charged to capital expenditure	206	217
Total staff costs disclosed above	806,851	762,903

b) Total employee expenditure increased by £43.9 million mainly due to the annual pay uplift (£33.4 million), an increase in the level of untaken annual leave (£2.2 million). Expenditure on temporary agency staff increased by £4.8million.

3. Staff Composition

	2021/22			2020/21		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	3	5	2	3	5
Non-Executive Members and Employee Director	8	9	17	7	9	16
Senior Employees	15	7	22	14	9	23
Other	3,236	13,731	16,967	3,340	14,285	17,625
Total Headcount	3,261	13,750	17,011	3,363	14,306	17,669

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

4. HIGHER PAID EMPLOYEES REMUNERATION

Employees whose remuneration fell within the following ranges:	2021/22 No.	2020/21 No.
----------------------------------------------------------------	------------------------	------------------------

Clinicians

£ 70,001 to £80,000	193	166
£ 80,001 to £90,000	126	109
£ 90,001 to £100,000	90	80
£100,001 to £110,000	70	68
£110,001 to £120,000	65	73
£120,001 to £130,000	74	67
£130,001 to £140,000	62	56
£140,001 to £150,000	52	37
£150,001 to £160,000	42	49
£160,001 to £170,000	34	30
£170,001 to £180,000	32	31
£180,001 to £190,000	19	16
£190,001 to £200,000	11	6
£200,001 and above	33	27

Other

£ 70,001 to £ 80,000	29	38
£ 80,001 to £ 90,000	29	24
£ 90,001 to £100,000	14	14
£100,001 to £110,000	12	11
£110,001 to £120,000	2	7
£120,001 to £130,000	2	2
£130,001 to £140,000	2	2
£140,001 to £150,000	1	0
£150,001 to £160,000	1	1
£160,001 to £170,000	0	0
£170,001 to £180,000	0	1
£180,001 to £190,000	0	1
£190,001 to £200,000	0	0
£200,001 and above	0	0

Note :

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

5. Sickness absence

NHS Grampian has a dedicated Occupational Health Service which provides proactive and reactive supports to keep staff well and in work. Supports include the Wellbeing Hub which provides tailored mental health and wellbeing supports for staff. This service offers wellbeing calls to signpost staff to the most suitable wellbeing information and services based on their individual circumstances, counselling, Cognitive Behavioural Therapy, and Clinical Psychology. Where there are concerns that work could be affecting a member of staff's health or that a health problem could be affecting an employee's ability to do their job, Occupational Health support is available. These supports assist managers in supporting staff who are absent in the workplace due to sickness absence. Staff are encouraged to return to work as soon as possible which may include a 4 week adjustment programme.

ACCOUNTABILITY REPORT (cont)

a) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

5.Sickness Absence (cont)

The overall annual sickness absence rate was 4.6% (2020/21 3.7%). Throughout the year though, sickness absence rates during the year varied considerably and increases were aligned to surges in COVID-19 and ranged between 2.6% and 6% for all staff groups. However, the impact of COVID-19 was also felt through the need for self-isolation, both of staff and members of their household, meaning that sickness absence levels alone do not fully reflect the impact of the pandemic on workforce availability or wellbeing.

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

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2021/22 NHS Grampian employed an average 58.9WTE (headcount 87.5) staff with a disability compared to 48.7WTE (headcount 58) in 2020/21.

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

7. Other employee matters such as diversity and equal treatment

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

- NHS Grampian Equalities Outcomes 2021-2025, update report;
- Making equality duty an integral part of the way NHS Grampian functions - progress Report for the period April 2019 to March 2021;
- An NHS Grampian Equal Pay Monitoring Report, June 2021; and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2020/21.

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

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

8. Expenditure on consultancy

Expenditure on external consultancy during 2021/22 was £24,636 (2020/21 £7,835).

NHS Grampian has used a total of 2 consultancy organisations during 2021/22 (2 in 2020/21). External consultants are used to provide services in a number of areas including capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian's own staff and therefore represent a value for money alternative to the direct employment of specialist staff.

9. Off-payroll engagements

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

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

10. Exit packages

There were no exit packages agreed during the year. There were no compulsory redundancies.

	2021/22	2020/21
Exit Package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£0 - £10,000	0	1
Total Resource Cost (£'000)	0	6

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

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

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

112 (99.74 WTE) employees were relevant union officials during 2021/22

Percentage of time spent on facility time

Percentage of time	Number of Employees
0%	71
1-50%	31
51-99%	1
100%	9
	£ million
Total Cost of Facility Time during 2021/22	0.471
Total cost of Paybill 2021/22	772.371
Percentage of total pay bill spent on facility time	0.06%
Percentage of total facility time spent in Trade Union Activities	3.20%

ACCOUNTABILITY REPORT (cont)
c) PARLIAMENTARY ACCOUNTABILITY REPORT

1. Losses and Special Payments

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

The following special payments and losses have been approved by the Board and are included in the financial statements for 2021/22:

	No. of cases 2021/22	£000 2021/22	No. of cases 2020/21	£000 2020/21
Fraud and suspected Fraud	13	0	20	0
Clinical Negligence and Employer Liability claims	68	5,773	55	6,012
Other losses and ex gratia payments	24	209	110	149
Total Special payments and losses	105	5,982	185	6,161

In 2021/22, the Board was required to pay out 3 claims, £1.25 million, £1.93 million, £0.5 million, in respect of clinical negligence cases in excess of £0.3 million (2020/21: 8 claims £1.0 million, £0.67 million, £0.58 million, £0.5 million, £0.38 million, £0.28 million, £0.25 million and £0.25 million) No other individual losses or claims with a value exceeding £0.3 million were settled during the year.

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

2. Fees and Charges

The Board had no commercial trading activity during 2021/22 where the full annual cost exceeded £1 million (2020/21 nil).

3. Contingent Liabilities

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

Professor Caroline Hiscox

04 August 2022

**Professor Caroline Hiscox
Chief Executive
Grampian Health Board**

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Grampian Health Board and its group for the year ended 31 March 2022 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2022 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 2021/22 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 board's current or future financial sustainability. 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 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 the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of

the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities 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 part of the Remuneration and Staff Report

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

Other information

The Accountable Officer is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman

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

05 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2022

		NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Intra Group Adjustments 2021/22 £'000	Aberdeen City 2021/22 £'000	Aberdeenshire 2021/22 £'000	Moray 2021/22 £'000	Group 2021/22 £'000	Group 2020/21 £'000
Staff Costs	3a	849,820	0	0	0	0	0	849,820	803,300
Other Operating Expenditure	3b								
Independent Primary Care Services		166,179	0	0	0	0	0	166,179	165,461
Drugs and Medical Supplies		257,501	0	0	0	0	0	257,501	241,508
Other Health Care expenditure		999,132	2,249	(2,110)	0	0	0	999,271	934,031
Gross expenditure for the year		2,272,632	2,249	(2,110)	0	0	0	2,272,771	2,144,300
Less : Operating Income	4	(819,893)	(3,052)	2,110	0	0	0	(820,835)	(769,932)
Joint Ventures accounted for on an equity basis		0	0	0	(16,578)	(14,248)	(5,340)	(36,166)	(21,120)
Net expenditure for the year		1,452,739	(803)	0	(16,578)	(14,248)	(5,340)	1,415,770	1,353,248
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)									
Net Loss/(gain) on revaluation of Property Plant and Equipment		(28,544)	0	0	0	0	0	(28,544)	9,106
Net Loss/(gain) on revaluation of financial assets		0	(3,064)	0	0	0	0	(3,064)	(8,325)
Total Comprehensive Net Expenditure/(Income)		1,424,195	(3,867)	0	(16,578)	(14,248)	(5,340)	1,384,162	1,354,029

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 20 to 22.

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Intra Group Adjustments 2021/22 £'000	Aberdeen City 2021/22 £'000	Aberdeenshire 2021/22 £'000	Moray 2021/22 £'000	Group 2021/22 £'000	Group 2020/21 £'000
Non-current assets:									
Property, plant and equipment	7c	652,356	0	0	0	0	0	652,356	585,027
Intangible assets	6	2,212	0	0	0	0	0	2,212	2,470
Financial assets:									
Financial assets	10	862	53,220	0	0	0	0	54,082	50,797
Investments in joint ventures		0	0	0	25,696	24,532	8,511	58,739	22,573
Trade and other receivables	9	62,938	0	0	0	0	0	62,938	50,737
Total non-current assets		718,368	53,220	0	25,696	24,532	8,511	830,327	711,604
Current Assets:									
Inventories	8	7,590	0	0	0	0	0	7,590	6,664
Financial assets:									
Trade and other receivables	9	81,227	126	(734)	0	0	0	80,619	84,627
Cash and cash equivalents	11	8,198	1,979	0	0	0	0	10,177	2,551
Assets classified as held for sale	7b	0	0	0	0	0	0	0	977
Total current assets		97,015	2,105	(734)	0	0	0	98,386	94,819
Total assets		815,383	55,325	(734)	25,696	24,532	8,511	928,713	806,423
Current liabilities									
Provisions	13	(60,477)	(4,194)	0	0	0	0	(64,671)	(66,830)
Financial liabilities:									
Trade and other payables	12	(251,054)	(1,002)	734	0	0	0	(251,322)	(181,453)
Total current liabilities		(311,531)	(5,196)	734	0	0	0	(315,993)	(248,283)
Non-current assets (less) net current liabilities		503,852	50,129	0	25,696	24,532	8,511	612,720	558,140
Non-current liabilities									
Provisions	13	(110,138)	(821)	0	0	0	0	(110,959)	(98,031)
Financial liabilities:									
Trade and other payables	12	(40,717)	0	0	0	0	0	(40,717)	(42,109)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0	0
Total non-current liabilities		(150,855)	(821)	0	0	0	0	(151,676)	(140,140)
Assets less liabilities		352,997	49,308	0	25,696	24,532	8,511	461,044	418,000
Taxpayers' Equity									
General fund		206,966	0	0	0	0	0	206,966	228,136
Revaluation reserve		146,031	0	0	0	0	0	146,031	121,850
Funds Held on Trust		0	49,308	0	0	0	0	49,308	45,441
Other reserves- Joint Venture		0	0	0	25,696	24,532	8,511	58,739	22,573
Total taxpayers' equity		352,997	49,308	0	25,696	24,532	8,511	461,044	418,000

The Annual Accounts were approved by the Board of Directors and authorised for issue on 4 August 2022

Professor Caroline Hiscox

Alan Sharp

Professor Caroline Hiscox
Chief Executive

Mr Alan Sharp
Acting Director of Finance

04 August 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

		NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Intra Group Adjustments 2021/22 £'000	Aberdeen City 2021/22 £'000	Aberdeenshire 2021/22 £'000	Moray 2021/22 £'000	Group 2021/22 £'000
Cash flows from operating activities								
Net operating cost		(1,452,739)	803	0	16,578	14,248	5,340	(1,415,770)
Adjustments for non-cash transactions	2b	26,817	0	0	(16,578)	(14,248)	(5,340)	(9,348)
Add back: interest payable recognised in net operating cost	2b	2,806	0	0	0	0	0	2,806
Investment Income		0	(1,509)	0	0	0	0	(1,509)
(Increase)/decrease in trade and other receivables	2c	(7,841)	244	183	0	0	0	(7,414)
(Increase)/decrease in inventories	2c	(926)	0	0	0	0	0	(926)
Increase/(decrease) in trade and other payables	2c	61,722	97	(183)	0	0	0	61,636
Increase/(decrease) in provisions	2c	11,788	(1,019)	0	0	0	0	10,769
Net cash outflow from operating activities		(1,358,373)	(1,384)	0	0	0	0	(1,359,757)
Cash flows from investing activities								
Purchase of property, plant and equipment		(64,449)	0	0	0	0	0	(64,449)
Purchase of intangible assets		(260)	0	0	0	0	0	(260)
Investment Additions	10	(315)	(7,437)	0	0	0	0	(7,752)
Transfer of assets to/(from) other NHS bodies		0	0	0	0	0	0	0
Proceeds of disposal of property, plant and equipment		390	0	0	0	0	0	390
Receipts from sale of investments		0	7,432	0	0	0	0	7,432
Interest and dividends received		0	1,509	0	0	0	0	1,509
Net cash outflow from investing activities		(64,634)	1,504	0	0	0	0	(63,130)
Cash flows from financing activities								
Funding		1,427,104	0	0	0	0	0	1,427,104
Movement in general fund working capital		7,506	0	0	0	0	0	7,506
Cash drawn down		1,434,610	0	0	0	0	0	1,434,610
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	(1,291)	0	0	0	0	0	(1,291)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,806)	0	0	0	0	0	(2,806)
Net Financing		1,430,513	0	0	0	0	0	1,430,513
Net increase/(decrease) in cash and cash equivalents in the period		7,506	120	0	0	0	0	7,626
Cash and cash equivalents at the beginning of the year		692	1,859	0	0	0	0	2,551
Cash and cash equivalents at the end of the year	11	8,198	1,979	0	0	0	0	10,177

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2022

Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000
	General Fund £'000	Revaluation Reserve £'000	Total Board Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	
Balance at 31 March 2021	228,136	121,850	349,986	30,485	14,956	45,441	9,118	10,284	3,171	418,000
Changes in taxpayers' equity for 2021/22										
Net gain on revaluation/indexation of property, plant and equipment	7a	0	28,545	28,545	0	0	0	0	0	28,545
Net gain on revaluation of financial assets	10	0	0	0	205	2,859	3,064	0	0	3,064
Impairment of property, plant and equipment	7a/7b	0	(403)	(403)	0	0	0	0	0	(403)
Revaluation & impairments taken to operating costs	2a	0	403	403	0	0	0	0	0	403
Transfers between reserves		4,364	(4,364)	0	0	0	0	0	0	0
Transfer of Assets from Other NHS		101	0	101	0	0	0	0	0	101
Net operating cost for the year		(1,452,739)	0	(1,452,739)	803	0	803	16,578	14,248	5,340
Total recognised income and expense for 2021/22		(1,448,274)	24,181	(1,424,093)	1,008	2,859	3,867	16,578	14,248	5,340
Funding:										
Drawn down *		1,434,610	0	1,434,610	0	0	0	0	0	1,434,610
Movement in General Fund Creditor		(7,506)	0	(7,506)	0	0	0	0	0	(7,506)
Balance at 31 March 2022		206,966	146,031	352,997	31,493	17,815	49,308	25,696	24,532	8,511

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

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

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1) Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 29 below.

1(a) Disclosure of new accounting standards

There were no new standards, amendments and interpretations effective in 2021/22 for the first time

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

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

1(c) Standards issued but not yet effective

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

- IFRS 16 – Leases (IAS 17 replacement);

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. NHS Grampian expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

Note 1. ACCOUNTING POLICIES (cont)

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

Impact of the new standard

The Board has assessed the impact that the application of IFRS 16 would have on the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) for the financial year ending 31 March 2023 and on the Statement of Financial Position (SOFP) at that date. The figures below are based on the opening position of existing leases as of 31 March 2022. The standard is expected to increase total expenditure in 2022/23 by £0.6 million. Right-of-use assets totalling £40.6 million will be brought onto the Statement of Financial Position, with an associated lease liability of £40.5 million.

IFRS 16 – Impacts to the SoCNE	£m
2022-23 anticipated depreciation	5.009
2022-23 interest expense expected	0.531
2022-23 IAS 17-basis rental payments expected	(4.977)
Net impact to SoCNE in the year to 31 March 2023	0.563

IFRS 16 – Impacts to the SoFP	£m
Right-to-use asset as at 1 April 2022	40.900
Net additions/(disposals) to right-of-use asset as at 31 March 2023	4.715
2022-23 anticipated depreciation	(5.009)
Net right-of-use asset as at 31 March 2023	40.606
Existing IAS 17 operating leases brought on at 1 April 2022	(40.265)
Liability associated with additions/disposals as 31 March 2023	(4.639)
2022-23 principal	4.451
Net liability as at 31 March 2023	(40.453)

2) Basis of Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board, who are appointed by Scottish Ministers.

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

Note 1. ACCOUNTING POLICIES (cont)

Effective from 2016/17 the Board has also disclosed its interest in the three Integration Joint Boards (IJBs) Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation. In accordance with IFRS 11 – Joint Arrangements each IJB is considered to be a Joint Venture and the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of IJBs using the equity method of accounting in accordance with IAS 28 – Investments in Associates and Joint arrangements.

3) Retrospective Restatements

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

4) Going Concern

The accounts are prepared on a going concern basis, which provides that the Board members have a reasonable expectation that the entity will continue in operational existence for the foreseeable future.

5) Accounting Convention

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment and available for sale financial assets and liabilities. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

6) Funding

6 (a) Grampian Health Board

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit (RRL). Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund. All other income receivable by the board that is not classed as funding is recognised when the transfer of goods or services (the performance obligation) is satisfied. Where income is received for goods or services that will not be delivered in the current financial year, that income is deferred.

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

Non-discretionary funding out-with the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

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

Note 1. ACCOUNTING POLICIES (cont)

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

6(b) NHS Grampian Endowment Funds

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

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

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

7) Property, plant and equipment

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

7(a) Recognition

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

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

Note 1. ACCOUNTING POLICIES (cont)

7(b) Measurement

Valuation:

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

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

Specialised NHS land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Non-specialised land and buildings, such as offices, are stated at fair value.

Valuations of all land and building assets are reassessed by valuers under an agreed programme. All property assets are subject to a full professional valuation at least every 5 years, but more frequently should market forces dictate, and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government;

Non-specialised equipment, installations and fittings are stated at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is a proxy for fair value in respect of such assets which have short useful lives or low values (or both); and

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

To meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

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

Subsequent expenditure:

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

Note 1. ACCOUNTING POLICIES (cont)

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

Revaluations and Impairment:

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

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

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

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

7(c) Depreciation

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Property, Plant and Equipment which has been reclassified as 'Held for Sale' and non-operational assets which have been declared surplus cease to be depreciated upon the reclassification.
- 3) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 4) Equipment is depreciated over the estimated life of the asset.
- 5) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Note 1. ACCOUNTING POLICIES (cont)

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

The following asset lives have been used:

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

8) Intangible Assets

8(a) Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

Note 1. ACCOUNTING POLICIES (cont)

Software:

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

Software licences:

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

Websites:

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

8(b) Measurement

Valuation:

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

Subsequently intangible assets that are not held for their service potential (i.e. assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value.

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

Revaluation and impairment:

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

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

8 (c) Amortisation

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

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

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

Useful Life

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

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

10) Donated Assets

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

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

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

12) Leasing

12(a) Finance leases

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

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

12(b) Operating leases

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

Note 1. ACCOUNTING POLICIES (cont)

12(c) Leases of land and buildings

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

12(d) HUB Schemes

Transactions financed as revenue transactions through the Scottish Government's HUB initiative are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board.

The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories. The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

13) Impairment of non-financial assets

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

14) General Fund Receivables and Payables

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

Note 1. ACCOUNTING POLICIES (cont)

15) Inventories

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

16) Losses and Special Payments

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

17) Employee Benefits

17(a) Short-term Employee Benefits

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

17(b) Pension Costs

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

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

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

As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Note 1. ACCOUNTING POLICIES (cont)

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

18) Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government. NHS Grampian provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' at 50% of the claim and those in 'Category 1' at nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

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

19) Related Party Transactions

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

20) Value Added Tax

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

21) Provisions

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

Note 1. ACCOUNTING POLICIES (cont)

22) Contingencies

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

Contingent liabilities are defined as:

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

23) Corresponding Amounts

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

24) Financial Instruments

24(a) Financial assets

Business model

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

Classification

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

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

This is the default basis for financial assets.

Note 1. ACCOUNTING POLICIES (cont)

(b) Financial assets held at amortised cost

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

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

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

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

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

Impairment of financial assets

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

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

Recognition and measurement

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

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

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

(b) Financial assets held at amortised cost

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

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

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

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

24)(b) Financial Liabilities

Classification

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

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

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

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

(b) Financial liabilities held at amortised cost

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

Recognition and measurement

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

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

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

(b) Amortised costs

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

25) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board. Operating segments are unlikely to directly relate to the analysis of expenditure shown in Note 3.

26) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, cash balances held with the Government Banking Service and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

27) Foreign exchange

The functional and presentational currencies of the Board are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Board has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

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

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet date) are recognised in income or expenditure in the period in which they arise. Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1. ACCOUNTING POLICIES (cont)

28) Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in note 20 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

29) Key sources of judgement, estimation and uncertainty

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

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

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

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

Fair Value of Property, Plant & Equipment: Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2022, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 23 above.

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

NOTE 2A. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	2021/22 £'000	2021/22 £'000
Net expenditure		1,415,770
Total Non-Core Expenditure (see below)		(28,485)
FHS Non Discretionary Allocation		(66,318)
Endowment Net Operating Costs		803
Joint Ventures accounted for on an equity basis		<u>36,166</u>
Total Core Expenditure		1,357,936
Core Revenue Resource Limit		1,358,066
Saving/(excess) against Core Revenue Resource Limit		<u>130</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital grants to/(from) other bodies	(333)
Depreciation/Amortisation	25,364
Annually Managed Expenditure - Impairments	403
Annually Managed Expenditure - Creation of Provisions	2,100
Annually Managed Expenditure - Depreciation of Donated Assets	1,547
Annually Managed Expenditure - Fair Value Adjustments	91
Donated Assets Income	(687)
Total Non Core Expenditure	28,485
Non-Core Revenue Resource Limit	28,485
Saving/(excess) against Non Core Revenue Resource Limit	<u>0</u>

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(excess) £'000
Core	1,358,066	1,357,936	130
Non-Core	28,485	28,485	0
Total	<u>1,386,551</u>	<u>1,386,421</u>	<u>130</u>

2b NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for non-cash transactions

	Note	2021/22 £'000	2020/21 £'000
Expenditure not paid in cash			
Depreciation	7a	24,826	23,811
Amortisation	6	538	403
Depreciation of donated assets	7a	1,547	1,566
Impairments on PPE charged to SoCNE		1,140	1,616
Reversal of impairments on PPE charged to SoCNE		(737)	(434)
Loss on remeasurement of non-current assets held for sale	7b	0	80
Funding Of Donated Assets *	4/7a	(687)	(1,051)
Loss / (profit) on disposal of property, plant and equipment		0	0
GP Loans Fair Value Adjustment		90	0
Joint Ventures accounted for on an equity basis		(36,166)	(21,120)
Transfer of Assets from Other NHS		101	1,168
Total expenditure not paid in cash		(9,348)	6,039

Notes :

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

2b. Interest payable recognised in operating expenditure

		2021/22 £'000	2020/21 £'000
PFI Finance lease charges allocated in the year	17	2,806	2,867

2c. CONSOLIDATED MOVEMENT IN WORKING CAPITAL BALANCES

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			Consolidated
Note	Opening Balances 2021/22 £'000	Closing Balances 2021/22 £'000	Net Movement 2021/22 £'000	Opening Balances 2021/22 £'000	Closing Balances 2021/22 £'000	Net Movement 2021/22 £'000	Opening Balances 2021/22 £'000	Closing Balances 2021/22 £'000	Net Movement 2021/22 £'000	Total Movement 2021/22 £'000
INVENTORIES										
Balance Sheet	6,664	7,590								
Net Decrease			<u>(926)</u>			<u>0</u>			<u>0</u>	<u>(926)</u>
TRADE AND OTHER RECEIVABLES										
Due within one year	84,808	81,227		370	126		(551)	(734)		
Due after more than one year	50,737	62,938								
Less: Property, Plant & Equipment (Capital) included in above	(92)	(871)								
	<u>135,453</u>	<u>143,294</u>	<u>(7,841)</u>	<u>370</u>	<u>126</u>	<u>244</u>	<u>(551)</u>	<u>(734)</u>	<u>183</u>	<u>(7,414)</u>
Net (Increase)/Decrease										
TRADE AND OTHER PAYABLES										
Due within one year	181,099	251,054		905	1,002		(551)	(734)		
Due after more than one year	42,109	40,717								
Less: Property, Plant & Equipment (Capital) included in above	(6,504)	(7,110)								
Less: Intangible Assets (Capital) included in above		(20)								
Less: General Fund Creditor included in above	(692)	(8,198)								
Less: Lease and PFI Creditors included in above	(43,400)	(42,109)								
	<u>172,612</u>	<u>234,334</u>	<u>61,722</u>	<u>905</u>	<u>1,002</u>	<u>97</u>	<u>(551)</u>	<u>(734)</u>	<u>(183)</u>	<u>61,636</u>
Net Increase/(Decrease)										
PROVISIONS										
Balance Sheet	158,827	170,615		6,034	5,015		0	0		
Net Increase			<u>11,788</u>			<u>(1,019)</u>			<u>0</u>	<u>10,769</u>
NET MOVEMENT (Decrease)/Increase			<u>64,743</u>			<u>(678)</u>			<u>0</u>	<u>64,065</u>

3. OPERATING EXPENSES

3a. BOARD STAFF COSTS

	2021/22 £'000	2020/21 £'000
Medical and Dental	252,801	235,143
Nursing	304,971	286,354
Other Staff	292,048	281,803
Total Staff Costs *	849,820	803,300

Note:

*Further detail and analysis of employee expenditure can be found in the Staff Report on page 77.

3b. BOARD NON-STAFF OPERATING COSTS

	2021/22 £'000	2020/21 £'000
Independent Primary Care Services:		
General Medical Services	93,226	94,114
Pharmaceutical Services	28,873	28,707
General Dental Services	33,084	31,021
General Ophthalmic Services	10,996	11,619
Sub total Independent Primary Care Services	166,179	165,461
Drugs and medical supplies:		
Prescribed drugs Primary Care	103,909	100,854
Prescribed drugs Secondary Care	77,787	70,828
PPE and testing kits	14,003	14,609
Medical Supplies	61,802	55,217
Sub total Drugs and Medical Supplies	257,501	241,508
Other health care expenditure		
Contribution to Integration Joint Boards	675,164	637,088
Goods and services from other NHSScotland bodies	21,272	21,293
Goods and services from other UK NHS bodies	1,662	1,197
Goods and services from private providers	9,869	5,239
Goods and services from voluntary organisations	2,555	3,386
Resource Transfer	67,277	67,935
Loss on disposal of assets	0	75
Depreciation and impairment of non current assets	27,313	27,042
Clinical Negligence and Employers Liability payments	36,627	13,484
Utilities, rent and other property related costs	46,773	40,220
Purchase, hire, servicing and repair of equipment	30,517	28,108
Other operating expenses *	79,902	87,720
External Auditor's remuneration - statutory audit fee	201	197
Sub total other operating expenditure	999,132	932,984
Total Board Non Staff Operating Expenditure	1,422,812	1,339,953

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 20 to 23.

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

3c. OPERATING EXPENSES - CHARITABLE ENDOWMENT FUNDS

	2021/22 £'000	2020/21 £'000
Patient & Staff Education and Welfare	542	1,273
Clinical Research	1,014	769
Purchase of New Equipment	324	384
Infrastructure Improvements	145	549
Investment management	223	202
Total Charitable Endowment Funds (note c)	2,248	3,177
Intra Group Adjustment	(2,110)	(2,130)
Total Consolidated Operating Expenditure	2,272,770	2,144,300

c) The group accounts have not been amended for the impact of the prior year adjustment to the NHS Grampian Endowment fund Accounts. Total expenditure was restated from £3.177m to £2.950m in 2020/21, a reduction of £0.227m to reflect expenditure provided in 2020/21 which actually materialised in year. The impact of this adjustment is to increase expenditure in 2021/22 from £2.248m to £2.476m.

4. OPERATING INCOME

4a. BOARD OPERATING INCOME

	2021/22 £'000	2020/21 £'000
Income from Scottish Government	630	315
Income from other NHS Scotland bodies	135,625	127,146
Income from NHS non-Scottish bodies	976	641
Income from private patients	2	0
Income for services commissioned by Integration Joint Board	613,072	604,826
Patient charges for primary care	3,467	1,151
Donations	6,137	3,590
Profit on disposal of assets	151	0
Contributions in respect of clinical and medical negligence claims (note b)	30,097	8,976
Non NHS:		
Overseas patients (non-reciprocal)	21	60
Other	29,715	21,832
Total Board Income	819,893	768,537

4.b. OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2021/22 £'000	2020/21 £'000
Total Income		
Donations	889	1,534
Legacies (note c)	654	677
Investment Income	1,509	1,314
Total Charitable Endowment Funds	3,052	3,525
Intra Group Adjustment	(2,110)	(2,130)
Total Consolidated Operating Income	820,835	769,932

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 20 to 23.

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

c) The group accounts have not been amended for the impact of the prior year adjustment to the NHS Grampian Endowment fund Accounts. Income from legacies was restated from £0.677m to £0.930m in 2020/21, an increase of £0.253m to reflect legacies accounted for in 2021/22 but relating to 2020/21. The impact of this adjustment is to reduce income from legacies in 2021/22 from £0.654m to £0.401m.

5. SEGMENTAL INFORMATION

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

	Aberdeen City H&SCP £'000	Aberdeenshire H&SCP £'000	Moray H&SCP £'000	Acute Sector £'000	Corporate & others £'000	Mental Health & Learning Disabilities £'000	Dr Grays Hospital £000	Total £'000
Grampian Health Board Net operating cost 2021/22	241,574	237,600	101,189	483,667	311,271	41,202	36,236	1,452,739
PRIOR YEAR								
Grampian Health Board Net operating cost 2020/21	225,187	226,010	94,172	440,987	314,785	40,722	32,853	1,374,716

6. INTANGIBLE ASSETS

2021/22

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2021	4,752	1,949	0	6,701
Additions	126	154	0	280
Disposals	(340)	(289)	0	(629)
As at 31 March 2022	4,538	1,814	0	6,352
Amortisation				
As at 1 April 2021	2,507	1,724	0	4,231
Provided during the year	415	124	0	538
Disposals	(340)	(289)	0	(629)
As at 31 March 2022	2,582	1,559	0	4,140
Net Book Value at 1 April 2021	2,245	225	0	2,470
Net Book Value at 31 March 2022	1,956	256	0	2,212

PRIOR YEAR

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

7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2021	30,671	457,553	1,343	1,940	153,427	27,512	3,675	29,954	706,075
Additions - purchased	45	1,042	0	0	8,330	1,300	0	54,338	65,055
Additions - donated	0	0	0	0	232	0	0	455	687
Completions	0	2,488	0	0	2,548	0	0	(5,036)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	27	14,669	40	0	0	0	0	0	14,736
Impairment charges	0	(1,140)	0	0	0	0	0	0	(1,140)
Impairment reversals	0	737	0	0	0	0	0	0	737
Disposals - purchased	0	0	0	(33)	(16,332)	(4,018)	(136)	0	(20,519)
Disposals - donated	0	0	0	0	(843)	0	0	0	(843)
At 31 March 2022	30,743	475,349	1,383	1,907	147,362	24,794	3,539	79,711	764,788
Depreciation									
At 1 April 2021	0	1,856	8	928	93,611	22,033	2,612	0	121,048
Provided during the year - purchased	0	13,303	76	214	9,307	1,665	260	0	24,826
Provided during the year - donated	0	498	0	3	899	118	30	0	1,547
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(13,733)	(76)	0	0	0	0	0	(13,809)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	0	0	(33)	(16,148)	(4,019)	(136)	0	(20,336)
Disposals - donated	0	0	0	0	(843)	0	0	0	(843)
At 31 March 2022	0	1,924	8	1,112	86,826	19,796	2,766	0	112,432
Net book value at 1 April 2021	30,671	455,697	1,335	1,012	59,816	5,479	1,063	29,954	585,027
Net book value at 31 March 2022	30,743	473,425	1,375	795	60,536	4,998	774	79,711	652,356
Open Market Value of Land in Land and Dwellings Included Above	3,300		275						
Asset financing:									
Owned - purchased	30,743	390,754	1,375	782	56,438	4,678	632	79,613	565,015
Owned - donated	0	23,177	0	13	4,098	320	141	98	27,848
Held on finance lease	0	13,055	0	0	0	0	0	0	13,055
On-balance sheet PFI contracts	0	46,438	0	0	0	0	0	0	46,438
Net book value at 31 March 2022	30,743	473,425	1,375	795	60,536	4,998	774	79,711	652,356

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

PRIOR YEAR

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2020	30,785	476,257	1,369	2,340	132,499	25,876	3,925	22,100	695,151
Additions - purchased	0	3,290	0	43	21,916	1,727	21	14,618	41,615
Additions - donated	0	0	0	0	897	114	0	40	1,051
Completions	0	2,461	0	0	4,343	0	0	(6,804)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	(114)	(23,273)	(26)	0	0	0	0	0	(23,413)
Impairment charges	0	(1,616)	0	0	0	0	0	0	(1,616)
Impairment reversals	0	434	0	0	0	0	0	0	434
Disposals - purchased	0	0	0	(413)	(5,915)	(205)	(252)	0	(6,785)
Disposals - donated	0	0	0	(30)	(313)	0	(19)	0	(362)
At 31 March 2021	30,671	457,553	1,343	1,940	153,427	27,512	3,675	29,954	706,075
Depreciation									
At 1 April 2020	0	1,496	8	1,145	91,172	20,632	2,583	0	117,036
Provided during the year - purchased	0	14,052	75	223	7,715	1,485	261	0	23,811
Provided during the year - donated	0	540	0	3	872	121	30	0	1,566
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(14,232)	(75)	0	0	0	0	0	(14,307)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	0	0	(413)	(5,835)	(205)	(243)	0	(6,696)
Disposals - donated	0	0	0	(30)	(313)	0	(19)	0	(362)
At 31 March 2021	0	1,856	8	928	93,611	22,033	2,612	0	121,048
Net book value at 1 April 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115
Net book value at 31 March 2021	30,671	455,697	1,335	1,012	59,816	5,479	1,063	29,954	585,027
Open Market Value of Land in Land and Dwellings included Above	3,625		0						
Asset financing:									
Owned - purchased	30,671	376,235	1,335	996	55,051	5,042	892	29,856	500,078
Owned - donated	0	22,276	0	16	4,765	437	171	98	27,763
Held on finance lease	0	12,923	0	0	0	0	0	0	12,923
On-balance sheet PFI contracts	0	44,263	0	0	0	0	0	0	44,263
Net book value at 31 March 2021	30,671	455,697	1,335	1,012	59,816	5,479	1,063	29,954	585,027

7b. ASSETS HELD FOR SALE

There are no assets held for sale at 31st March 2022, following the Disposal of the former Inverurie Health Centre and plot of Land at May Baird Avenue during the course of 2021/22.

ASSETS HELD FOR SALE - CONSOLIDATED

	Note	Property, Plant & Equipment £000
At 1 April 2021		977
Losses recognised on re-measurement of non-current assets held for sale		0
Disposals of non-current assets held for sale		(977)
At 31 March 2022		0

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

		Property, Plant & Equipment £000
At 1 April 2020		1,057
Transfers from property plant and equipment		0
Gain or losses recognised on re-measurement of non-current assets held for sale		(80)
Disposals of non-current assets held for sale		0
At 31 March 2021		977

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

	2021/22 £000	2020/21 £000
Net book value of property, plant and equipment at 31 March		
Purchased	624,508	557,264
Donated	27,848	27,763
Total	652,356	585,027

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

Net book value of surplus land valued at open market value at 31 March	3,300	3,625
Net book value of surplus buildings valued at open market value at 31 March	275	0

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

Total value of assets held under:		
Finance Leases	13,055	12,923
PFI and PPP Contracts	46,438	44,263
	<u>59,493</u>	<u>57,186</u>
Total depreciation charged in respect of assets held under:		
Finance leases	466	409
PFI and PPP contracts	854	890
	<u>1,320</u>	<u>1,299</u>

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2022 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £28.544m (2020-21: a decrease of £9.106m) which was credited to the revaluation reserve. Impairment of £0.403m (2020-21 £1.26m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

7d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2021/22 £'000	2020/21 £'000
Expenditure			
Acquisition of intangible assets	6	280	1,539
Acquisition of property, plant and equipment	7a	65,055	41,615
Donated asset additions	7a	687	1,051
GP Sustainability Loans		315	462
Gross Capital Expenditure		66,337	44,667
Income			
Net book value of disposal of property, plant and equipment		183	291
Value of disposal of non-current assets held for sale		977	0
HUB - repayment of investment		9	9
Donated asset income		0	1,051
Capital Income		1,169	1,351
Net Capital Expenditure		65,168	43,316
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		64,166	42,246
Non Core Capital Resource Limit		1,002	1,070
Total Capital Resource Limit		65,168	43,316
Saving / (excess) against Total Capital Resource Limit		0	0

8. INVENTORIES

	2021/22 £000	2020/21 £000
Raw materials and consumables	7,590	6,664

9. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Intra Group Adjustments 2021/22 £'000	Group 2021/22 £'000	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Group 2020/21 £'000
Receivables due within one year								
NHS Scotland Boards	13,741			13,741	13,125			13,125
NHS Non-Scottish Bodies	875			875	708			708
VAT recoverable	1,915			1,915	1,585			1,585
Prepayments	4,122			4,122	4,396			4,396
Accrued income	2,368	83		2,451	2,198	269		2,467
Other Receivables	10,128	43	(734)	9,437	12,115	101	(551)	11,665
Reimbursement of provisions	44,701			44,701	48,532			48,532
Other Public Sector Bodies	3,377			3,377	2,149			2,149
Total Receivables due within one year	81,227	126	(734)	80,619	84,808	370	(551)	84,627
Receivables due after more than one year								
Accrued income	3,669			3,669	3,521			3,521
Reimbursement of Provisions	59,269			59,269	47,216			47,216
Total Receivables due after more than one year	62,938	0	0	62,938	50,737	0	0	50,737
TOTAL RECEIVABLES	144,165	126	(734)	143,557	135,545	370	(551)	135,364
The total receivables figure above includes a provision for bad debts of :	2,489			2,489	2,645			2,645
WGA Classification								
NHSScotland	13,741			13,741	13,125			13,125
Central Government Bodies	3,014			3,014	1,759			1,759
Whole of Government Bodies	2,279			2,279	1,975			1,975
Balances with NHS Bodies in England and Wales	875			875	708			708
Balances with bodies external to Government	124,256	126	(734)	123,648	117,978	370	(551)	117,797
Total	144,165	126	(734)	143,557	135,545	370	(551)	135,364

9. TRADE AND OTHER RECEIVABLES (Cont)

	2021/22 £'000	2020/21 £'000
Movements on the provision for impairment of receivables are as follows:		
At 1 April	2,645	2,270
Provision for debtors impairment	(156)	457
Receivables written off during the year as uncollectable	0	(82)
At 31 March	2,489	2,645

As of 31 March 2022, receivables with a carrying value of £2.489m (2020-21: £2.645m) were impaired and provided for. The ageing of these receivables is as follows:

	2021/22 £'000	2020/21 £'000
Up to 6 months past due	523	376
Over 6 months past due	1,966	2,269

The impaired value of £2.489 million (2021 £2.65 million) includes £1.06 million (2021 £1.06 million) related to NHS Injury Cost Recovery Scheme. The remaining £1.4 million (2021 £1.6 million) reflects the impairment of trade receivables calculated using an expected credit loss model in line with IFRS 9.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2022, receivables with a carrying value of £5.1 million (2020-21: £6.1 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2021/22 £'000	2020/21 £'000
Up to 3 months past due	3,170	4,620
3 to 6 months past due	860	638
Over 6 months past due	1,122	873
	5,152	6,131

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

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

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

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

	2021/22 £'000	2020/21 £'000
Existing customers with no defaults in the past	15,747	11,849

	2021/22 £'000	2020/21 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	143,557	135,364

All non-current receivables are due within 20 years (2020-21: 20 years) from the balance sheet date.

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

The fair value of long-term other receivables is £62.9m (2020-21 £50.7m).

The effective interest rate on non-current other receivables is 0.7% (2020-21: 0.7%). Pension liabilities are discounted at -1.3% (2020-21: -0.95%).

10. FINANCIAL ASSETS

	NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Group 2021/22 £'000	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Group 2020/21 £'000
Stocks and Bonds **	0	53,220	53,220	0	50,151	50,151
Other *	862	0	862	646	0	646
TOTAL	862	53,220	54,082	646	50,151	50,797
At 1 April	646	50,151	50,797	432	41,826	42,258
Additions		7,437	7,437	223	7,117	7,340
GP Loans Advances	315	0	315			
Disposals	(9)	(7,998)	(8,007)	(9)	(7,118)	(7,127)
GP Loans Fair Value Adjustment	(90)	0	(90)			
Revaluation (deficit)/surplus transferred to equity	0	3,630	3,630	0	8,326	8,326
At 31 March	862	53,220	54,082	646	50,151	50,797
Current	0	0	0	0	0	0
Non-current	862	53,220	54,082	646	50,151	50,797
At 31 March	862	53,220	54,082	646	50,151	50,797

Note:

*Other financial assets comprise a small shareholding in HUB North of Scotland Ltd, an unlisted investment denominated in UK pounds; £414k in the form of non-equity long term loans to Hub North of Scotland Ltd as part of the financing arrangements for the Aberdeen Health and Care Village, Forres, Woodside, Inverurie and Foresterhill Health Centres, repayable in full with interest over 25 years and Sustainability Loans of £461k to the Stonehaven Medical Group and £315k to the Kingswells Medical Group which are repayable in full on disposal of the property in line with Scottish Government regulations governing the scheme. The sustainability loan scheme is interest free and the loans are therefore discounted to reflect fair value. The fair value of the loan to Stonehaven medical group is £223k and to the Kingswells Medical Group is £225k.

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

**Stocks and Bonds relate to the Charitable Endowment Funds which are invested in a portfolio of bonds and equity investments, managed by the Funds appointed Investment managers Standard Life Wealth Ltd., in line with a medium risk strategy to deliver a balance between income and capital growth. The carrying value of Stocks and Bonds is market value.

11. CASH AND CASH EQUIVALENTS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	At 01/04/21 £'000	Net Change £'000	At 31/03/22 £'000	At 01/04/21 £'000	Net Change £'000	At 31/03/22 £'000	At 01/04/21 £'000	Net Change £'000	At 31/03/22 £'000	At 01/04/21 £'000	Net Change £'000	At 31/03/22 £'000
Government Banking Service account balance	604	7,477	8,081	1,859	120	1,979	0	0	0	2,463	7,597	10,060
Cash at bank and in hand	87	30	117	0	0	0	0	0	0	87	30	117
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	691	7,507	8,198	1,859	120	1,979	0	0	0	2,550	7,627	10,177
CASH AND CASH EQUIVALENTS - PRIOR YEAR												
	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000	At 01/04/20 £'000	Net Change £'000	At 31/03/21 £'000
Government Banking Service account balance	2,441	(1,837)	604	1,935	(76)	1,859	0	0	0	4,376	(1,913)	2,463
Cash at bank and in hand	357	(270)	87	0	0	0	0	0	0	357	(270)	87
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	2,798	(2,107)	691	1,935	(76)	1,859	0	0	0	4,733	(2,183)	2,550

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

12. TRADE AND OTHER PAYABLES

	NHS Grampian 2021/22 £'000	Charitable Endowment Funds 2021/22 £'000	Intra Group Adjustments 2021/22 £'000	Group 2021/22 £'000	NHS Grampian 2020/21 £'000	Charitable Endowment Funds 2020/21 £'000	Intra Group Adjustments 2020/21 £'000	Group 2020/21 £'000
Payables due within one year								
NHS Scotland Boards	7,211			7,211	8,522			8,522
NHS Non-Scottish Bodies	843			843	715			715
Amounts Payable to General Fund	8,198			8,198	692			692
FHS Practitioners	17,352			17,352	15,624			15,624
Trade Payables	3,188			3,188	6,752	31		6,783
Accruals	55,504	274	(734)	55,044	48,792	397		49,189
Deferred income	643			643	762			762
Net obligations under Finance Leases	469			469	439			439
Net obligations under PPP/PFI Contracts	923			923	852			852
Income tax and social security	17,009			17,009	16,599			16,599
Superannuation	13,219			13,219	12,938			12,938
Holiday Pay Accrual	18,942			18,942	16,706			16,706
Other Public Sector Bodies	102,615	728		103,343	48,295	477	(551)	48,221
Other payables	4,938			4,938	3,411			3,411
Total Payables due within one year	251,054	1,002	(734)	251,322	181,099	905	(551)	181,453
Payables due after more than one year								
Net obligations under Finance Leases due within 2 years	492	0	0	492	469	0	0	469
Net obligations under Finance Leases due after 2 years but within 5 years	1,383	0	0	1,383	1,431	0	0	1,431
Net obligations under Finance Leases due after 5 years	3,148	0	0	3,148	3,593	0	0	3,593
Net obligations under PPP/PFI Contracts due within 2 years	1,000	0	0	1,000	923	0	0	923
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	3,527	0	0	3,527	3,259	0	0	3,259
Net obligations under PPP/PFI Contracts due after 5 years	31,167	0	0	31,167	32,434	0	0	32,434
Total Payables due after more than one year	40,717	0	0	40,717	42,109	0	0	42,109
TOTAL PAYABLES	291,771	1,002	(734)	292,039	223,208	905	(551)	223,562
WGA Classification								
NHSScotland	7,211				8,522			
Central Government Bodies	30,430				29,670			
Whole of Government Bodies	102,332				48,162			
Balances with NHS Bodies in England and Wales	844				715			
Balances with bodies external to Government	150,954				136,139			
Total	291,771				223,208			
Borrowings included above comprise:								
Finance Leases	5,492				5,932			
PFI Contracts	36,617				37,468			
	42,109				43,400			
The carrying amount and fair value of the non-current borrowings are as follows :								
Carrying amount								
Finance Leases	5,023				5,493			
PFI Contracts	35,694				36,616			
	40,717				42,109			
The carrying amount of payables are denominated in Pound Sterling	291,771	1,002	(734)	292,039	223,208	905	(551)	223,562
The carrying amount of short term payables approximates their fair value.								

13. PROVISIONS

	NHS GRAMPPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non-endowment) £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2021	8,153	94,437	55,629	608	158,827	6,034	6,034	164,861
Arising during the year	615	25,227	1,100	189	27,131	2,406	2,406	29,537
Utilised during the year	(437)	(5,050)	0	0	(5,487)	(2,618)	(2,618)	(8,105)
Unwinding of discount	219	0	0	0	219	0	0	219
Reversed unutilised	(165)	(9,910)	0	0	(10,075)	(807)	(807)	(10,882)
At 31 March 2022	8,385	104,704	56,729	797	170,615	5,015	5,015	175,630

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows to 31 March 2022

	NHS GRAMPPIAN					CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other (non-endowment) £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
Payable in one year	499	45,828	14,150	0	60,477	4,194	4,194	64,671
Payable between 2 - 5 years	1,980	49,328	34,475	0	85,783	821	821	86,604
Payable between 6 - 10 years	1,895	1,709	2,933	0	6,537	0	0	6,537
Thereafter	4,011	7,839	5,171	797	17,818	0	0	17,818
Total as at 31 March 2022	8,385	104,704	56,729	797	170,615	5,015	5,015	175,630

PRIOR YEAR

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

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows - to 31 March 2021

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

13. PROVISIONS (cont)

Other (non-endowment)

The provision of £0.797 million relates to the estimated future costs of disposal of the Cyclotron, a high value specialist piece of equipment.

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of negative 1.3% (2020/21 negative 0.95%) in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

Charitable Endowment Funds

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

Clinical and Medical

The Board holds a provision to meet costs of outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for the gross cost of settlement awards, legal expenses and third party costs discounted by the Treasury discount rate of negative 0.75% in real terms (2020/21 negative 0.75%). The impact of this provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS*).

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

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

2020/21 £000's		Note	2021/22 £000's
94,437	Provision recognising individual claims against the NHS Board at 31 March (*)	Note 13	104,704
(95,748)	Associated CNORIS receivable at 31 March	Note 9	(103,970)
55,629	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 13	56,729
54,318	Net Total Provision relating to Clinical Negligence and Other Risks at 31 March		57,463

Notes:

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

14. CONTINGENT LIABILITIES AND ASSETS

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

	2021/22	2020/21
	£000	£000
CONTINGENT LIABILITIES*		
Clinical and medical compensation payments	16,142	17,363
Employers Liability payments	57	45
CONTINGENT ASSETS**		
Clinical and medical compensation payments	15,357	16,896

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

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

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

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

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

15. Commitments

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

	2021/22 £000	2020/21 £000
Contracted		
Royal Cornhill Hospital Ligature Reduction	0	2,862
Baird & Anchor - Stage 3 & Stage 4	147,502	183,083
National Treatment Centre	0	0
Cyclotron Replacement	0	176
Dr Gray's Ward 7	0	760
Other Minor Equipment Replacement	0	130
Brachytherapy	0	240
Dr Gray's Birthing Unit	0	73
Cath Labs	0	343
Mop Wash Facility	126	0
Ashgrove House Lift	121	0
Linear Accelerator Ventilation	222	0
Woodend Heat Exchangers	87	0
IT Equipment	182	0
Greenspace	1,636	0
Total	149,876	187,667
Authorised but not Contracted		
Baird & Anchor	31,547	17,324
Greenspace	0	994
National Treatment Centre	46,733	47,239
Total	78,280	65,557

Financial Guarantees, indemnities and letter of comfort

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

16. COMMITMENTS UNDER LEASES

Operating Leases

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

	2021/22 £'000	2020/21 £'000
Obligations under operating leases comprise:		
Land		
Not later than one year	354	354
Later than one year, not later than 2 years	354	354
Later than two year, not later than five years	944	1,002
Later than five years	1,809	2,104
Total	3,461	3,814
Buildings		
Not later than one year	465	465
Later than one year, not later than 2 years	412	413
Later than two year, not later than five years	951	1,116
Later than five years	1,180	1,429
Total	3,008	3,423
Other		
Not later than one year	626	819
Later than one year, not later than 2 years	626	900
Later than two year, not later than five years	1,878	1,957
Later than five years	10,455	11,081
Total	13,585	14,757
Amounts charged to Operating Costs in the year were:		
Hire of equipment (including vehicles)	2,852	2,785
Other operating leases	3,883	1,548
Total	6,735	4,333

Finance Leases

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

Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	1,231	1,222
Rentals due between one and two years (inclusive)	1,222	1,222
Rentals due between two and five years (inclusive)	3,253	3,488
Rentals due after five years	6,103	7,191
	11,809	13,123
Less interest element	(6,317)	(7,191)
	5,492	5,932

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

17. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - ON BALANCE SHEET

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

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

	2021/22 £'000	2020/21 £'000
Gross Minimum Lease Payments		
Rentals due within 1 year	3,667	3,658
Due within 1 to 2 years	3,676	3,667
Due within 2 to 5 years	11,087	11,061
Due after 5 years	51,410	55,112
Total	69,840	73,498
Less Interest Element		
Rentals due within 1 year	(2,744)	(2,806)
Due within 1 to 2 years	(2,676)	(2,744)
Due within 2 to 5 years	(7,560)	(7,802)
Due after 5 years	(20,243)	(22,678)
Total	(33,223)	(36,030)
Present value of minimum lease payments		
Rentals due within 1 year	923	852
Due within 1 to 2 years	1,000	923
Due within 2 to 5 years	3,527	3,259
Due after 5 years	31,167	32,434
Total	36,617	37,468
Service elements due in future periods		
Rentals due within 1 year	1,277	1,253
Due within 1 to 2 years	1,302	1,278
Due within 2 to 5 years	4,070	3,986
Due after 5 years	21,986	23,372
Total	28,635	29,889
Interest charges	2,806	2,867
Service charges	1,231	1,213
Principal repayment	852	786
Other charges (Contingent rents)	22	13
Total	4,911	4,879

18. PENSION COSTS

	2021/22 £000	2020/21 £000
Pension cost charge for the year	110,779	102,547
Additional Costs arising from early retirement	0	0
Provisions included on the Statement of Financial Position	8,385	8,153

During 2021/22 NHS Grampian incurred no additional costs arising from the early retirement of staff (2020/21 nil). Provisions amounting to £8.4 million (2020/21 £8.2 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

NHS Grampian participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employee's contributions.

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

The Scheme is an unfunded multi-employer defined benefit scheme and it is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Grampian is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2021 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.

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

NHS Grampian's level of participation in the scheme is 8% based on the proportion of employer contributions paid in 2020-21.

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 2021-22 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The 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.

18. PENSION COSTS (cont)

Further information, including a copy of the most recent scheme accounts, is available on the Scottish Public Pensions Agency (SPPA) web site at <https://pensions.gov.scot/corporate-publications/annual-report-and-accounts>

The 1995 Section

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

The 2008 Section

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

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

Pension members can 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.

19. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
FINANCIAL ASSETS	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000
At 31 March 2022												
Assets per Statement of Financial Position												
Investments	0	862	862	0	53,220	53,220	0	0	0	0	54,082	54,082
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	20,417	0	20,417	126	0	126	(734)	0	(734)	19,809	0	19,809
Cash and cash equivalents	8,198	0	8,198	1,979	0	1,979	0	0	0	10,177	0	10,177
	<u>28,615</u>	<u>862</u>	<u>29,477</u>	<u>2,105</u>	<u>53,220</u>	<u>55,325</u>	<u>(734)</u>	<u>0</u>	<u>(734)</u>	<u>29,986</u>	<u>54,082</u>	<u>84,068</u>
PRIOR YEAR												
At 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets per Statement of Financial Position												
Investments	0	646	646	0	50,151	50,151	0	0	0	0	50,797	50,797
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	20,691	0	20,691	370	0	370	(551)	0	(551)	20,510	0	20,510
Cash and cash equivalents	692	0	692	1,859	0	1,859	0	0	0	2,551	0	2,551
	<u>21,383</u>	<u>646</u>	<u>22,029</u>	<u>2,229</u>	<u>50,151</u>	<u>52,380</u>	<u>(551)</u>	<u>0</u>	<u>(551)</u>	<u>23,061</u>	<u>50,797</u>	<u>73,858</u>
FINANCIAL LIABILITIES												
At 31 March 2022		Financial liabilities at amortised cost £'000			Financial liabilities at amortised cost £'000			Financial liabilities at amortised cost £'000			Financial liabilities at amortised cost £'000	
Liabilities per Statement of Financial Position												
Finance lease liabilities		5,492			0			0			5,492	
HUB Service Concession Liabilities		36,617			0			0			36,617	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		211,580			1,002			(734)			211,848	
		<u>253,689</u>			<u>1,002</u>			<u>(734)</u>			<u>253,957</u>	
PRIOR YEAR												
At 31 March 2021												
Liabilities per Statement of Financial Position												
Finance lease liabilities		5,932			0			0			5,932	
HUB Service Concession Liabilities		37,468			0			0			37,468	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		140,987			905			(551)			141,341	
		<u>184,387</u>			<u>905</u>			<u>(551)</u>			<u>184,741</u>	

19. FINANCIAL INSTRUMENTS (cont)
b) FINANCIAL RISK FACTORS

Exposure to Risk

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

Credit risk – the possibility that other parties might fail to pay amounts due.

Liquidity risk – the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

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

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

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

• **Credit Risk**

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

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

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

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

• **Liquidity Risk**

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

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

Liquidity Risk

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2022				
PFI Liabilities	3,667	3,676	11,087	51,410
Finance lease liabilities	1,231	1,222	3,253	6,103
Trade and other payables excluding statutory liabilities	211,848	0	0	0
Total	216,746	4,898	14,340	57,513
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2021				
PFI Liabilities	3,658	3,667	11,061	55,112
Finance lease liabilities	1,222	1,222	3,488	7,191
Trade and other payables excluding statutory liabilities	141,341	0	0	0
Total	146,221	4,889	14,549	62,303

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

- **Market Risk**

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

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

iii) Price Risk

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

- **FAIR VALUE ESTIMATION**

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

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

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

20. THIRD PARTY ASSETS

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

	2020/21	Gross Inflows	Gross Outflows	2021/22
	£000	£000	£000	£000
Monetary amounts including bank balances	160	150	(155)	155

21. RELATED PARTY TRANSACTIONS

Integration Joint Boards (IJBs)

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

NHS Grampian had the following transactions with each IJB in 2021/22:

- Aberdeen City – Income £265.0m, expenditure £291.0m and a retained creditor balance of £40.4m. (2020/21 income £261.2 million, expenditure £273.0 million and a retained creditor balance of £14.4 million).
- Aberdeenshire – Income £243.4 million, expenditure £269.9 million and a retained creditor balance of £41.1 million. (2020/21 Income £242.8 million, expenditure £257.3 million and a retained creditor balance of £17.5 million).
- Moray – Income £104.7 million, expenditure £114.2 million and a retained creditor balance of £15.7 million. (2020/21 Income £100.8 million, expenditure £106.8 million and a retained creditor balance of £6.2 million).

NHS Grampian Endowment Funds

All members of the NHS Grampian Board also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2022 was £49.308 million (2020/21 £45.441 million). During the year payments totalling £1.993 million (2020/21 £2.031 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities including infrastructure improvement for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.118 million (2020/21 £0.099 million) from NHS Grampian mainly from income for research activities.

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 Grampian by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Grampian 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 Grampian must use the NHS Grampian 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 Grampian 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 Grampian 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 Grampian 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 Grampian is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

“NHS Grampian Annual Accounts template” means the Excel spreadsheet issued to NHS Grampian 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

**OFFICE OF CHAIR
& CHIEF EXECUTIVE**

Summerfield House
2 Eday Road
Aberdeen
AB15 6RE



04 August 2022

Gillian Woolman
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Gillian

**Grampian Health Board
Annual report and accounts 2021/22**

1. This representation letter is provided in connection with your audit of the annual report and accounts of NHS Grampian for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the regularity of income and expenditure, remuneration and staff report, performance report and governance statement.

2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of NHS Grampian's annual report and accounts for the year ended 31 March 2022.

General

3. I have fulfilled my responsibilities for the preparation of the 2021/22 annual report and accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by NHS Grampian have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Regularity of Expenditure and Income

5. I confirm that, in all material respects, expenditure was incurred, and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

Financial Reporting Framework

6. The annual report and accounts have been prepared in accordance with National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

7. I have ensured that the financial statements give a true and fair view of the financial position of the NHS Grampian at 31 March 2022 and the transactions for 2021/22.

Accounting Policies & Estimates

8. All significant accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2021/22 Government Financial Reporting Manual (the FReM), where applicable. Where the FReM does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to NHS Grampian's circumstances and have been consistently applied.

9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or because of new information or experience.

Going Concern Basis of Accounting

10. I have assessed NHS Grampian's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on NHS Grampian's ability to continue as a going concern.

Assets

11. I have satisfied myself that the carrying amount of assets included in the financial statements at 31 March 2022 represents the best available information. I carried out an assessment at 31 March 2022 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. I have provided you with all information of which I am aware regarding the valuation exercises carried out.

12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements. I am satisfied that all reasonable steps have been taken to establish the required processes to ensure that the fixed asset register is accurate and timeously updated, classifications are correct and that title is held for the assets contained therein.

13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements

Liabilities

14. All liabilities at 31 March 2022 of which I am aware have been recognised in the financial statements.

15. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2022 of which I am aware where the conditions specified in IAS 37 have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2022. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

16. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2022 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

17. The accrual recognised in the financial statements for untaken annual leave by 31 March 2022 has been estimated on a reasonable basis.

18. Staff cost accruals recognised in the financial statements including untaken annual leave at 31 March 2022 and discretionary point awards have been estimated on a reasonable basis.

19. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

20. I have provided you with all information in relation to

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

21. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

22. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24 as interpreted by the FReM. I have made available to you the identity of all the NHS Grampian's related parties and all the related party relationships and transactions of which I am aware.

Remuneration and Staff Report

23. The Remuneration and Staff Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and all required information of which I am aware has been provided to you.

Performance report

24. I confirm that the Performance Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and the information is consistent with the financial statements.

Corporate Governance

25. I have fulfilled my responsibilities for NHS Grampian's corporate governance arrangements. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

26. I confirm that the Governance Statement has been prepared in accordance with the Scottish Public Finance Manual and the information is consistent with the financial statements. All significant changes in the corporate governance arrangements or issues identified since 31 March 2022 have been reflected either in the Performance Report or the Governance Statement.

Group Accounts

27. I have identified all the other entities in which NHS Grampian has a material interest and have classified and accounted for them in accordance with the 2021/22 FReM. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

28. The three Grampian Integration Joint Boards (IJBs), namely: Aberdeen City IJB, Aberdeenshire IJB and Moray IJB have been consolidated within the NHS Grampian financial statements for 2021/22 in accordance with IAS 27 Consolidated and Separate Financial Statements and the health board accounts manual. The IJB figures used in the consolidation process are based on the IJBs' unaudited accounts at 31 March 2022 and discussions with IJB chief finance officers. All significant financial issues relating to the consolidation of the IJBs have been brought to your attention and no material changes to the figures used in the consolidation are expected.

Events Subsequent to the Date of the Statement of Financial Position

29. All events subsequent to 31 March 2022 for which IAS 10 as interpreted by the FReM requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Professor Caroline Hiscox

Professor Caroline Hiscox
Accountable Officer