

# DUMFRIES AND GALLOWAY NHS BOARD

## Annual Report and Accounts For Year Ended 31 March 2022



## Introduction

This document contains the information that NHS Dumfries and Galloway is required to formally report each year. It gives a financial overview of NHS Dumfries and Galloway for the period 1 April 2021 to 31 March 2022; this includes the consolidation of Endowment Funds and the Integration Joint Board.

This document contains:

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

The Annual Accounts including the reports were adopted and approved by the full meeting of the Dumfries and Galloway NHS Board on 11<sup>th</sup> July 2022.

This report is available to download from our website ([www.nhsdg.co.uk](http://www.nhsdg.co.uk)) or alternatively a copy can be obtained by contacting the Communications Department at [dgcommunications@nhs.scot](mailto:dgcommunications@nhs.scot).

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# THE PERFORMANCE REPORT

## OVERVIEW

The purpose of this overview is to give the user a short summary that provides sufficient information to understand NHS Dumfries & Galloway; its purpose; the key risks to the achievement of its objectives and how it has performed during the year.

### Statement from the Chief Executive

2021/22 has been another extremely difficult year for NHS Dumfries & Galloway. As a result of the Covid-19 pandemic, the Board has operated in an emergency response mode throughout the year to ensure decision making at operational level is supported by detailed planning assumptions and an appropriate governance framework. The pandemic has dominated almost all aspects of service provision this year and placed relentless pressures on our clinical and support teams.

During the year we have delivered a mass vaccination and booster programme of unprecedented scale which has allowed us to weaken the link between Covid infection and serious illness or death in the Delta and Omicron waves of the pandemic. We are enormously grateful to our staff, to our volunteers and to our partner agencies who have helped to deliver this programme. We end the year with one of the most highly vaccinated populations in Scotland which should give a degree of assurance about our ability to weather future waves of infections.

We are acutely aware of the disruption caused by the pandemic to our usual service model and to the additional waits for elective treatment and other therapies that our patients have experienced. I would like to offer my personal apologies to all patients who have had to wait longer for treatment than would otherwise have been the case this year. We have tried to maintain safe and rapid patient pathways in the most critical areas (including cancer care) and have used remote consultation technologies to try to mitigate this disruption as far as possible. However, our overall performance against our access targets has deteriorated significantly and recovery in this area will be one of the Board's key priorities. This recovery will not be rapid, but we aim to demonstrate consistent improvement over each of the coming years.

### Purpose and Activities of the Board

NHS Dumfries and Galloway Health Board was established in 1974 under the National Health Service (Scotland) Act 1974. It has the responsibility for improving the health of its local population and delivering the healthcare it requires by providing health care services for the residents of Dumfries and Galloway.

NHS Dumfries and Galloway describe their purpose as to deliver excellent care that is person-centred, safe, effective, efficient and reliable and to reduce health inequalities across Dumfries and Galloway. The outcomes expected are:

- Improved outcomes for patients that reflect learning from patient experience in order to ensure a person-centred focus is maintained.
- Improved staff experience; and health and wellbeing of staff.
- The delivery of continuous quality improvement and sustainability through services that are effective and efficient.
- All children have the best possible start in life through a variety of interventions, sometimes targeted at vulnerable groups.
- A population in Dumfries and Galloway who are enabled and assisted to have more control over all aspects of their life, health and wellbeing.

Dumfries and Galloway's population (approximately 150,000) is spread over a large rural area with only two towns with a population above 10,000. Primary care is provided through the 32 GP practices with acute

secondary care being provided from the Royal Infirmary in Dumfries and the Galloway Community Hospital in Stranraer supported by the region's 8 community hospitals.

During 2020/21 the service delivery model had to be adapted at short notice, and four of the community hospitals were closed to routine admissions and were retained on standby as part of the surge plan for additional Covid-19 beds. They remained open for various other activities and were used to support the vaccination programme, this has continued throughout 2021/22. Additional community beds in Dumfries were re-opened on a temporary basis in December 2021 to support the response to the third wave, these are anticipated to remain open during 2022/23.

With the introduction of The Public Bodies (Joint Working) (Scotland) Act 2014 which required territorial NHS Health Boards and Local Authorities to integrate strategic planning and service provision arrangements for Adult Health and Social Care Services, the strategic and operational delivery of Health and Social Care has changed to reflect this.

In Dumfries and Galloway, the NHS Board and Local Authority have chosen to delegate these responsibilities to the Dumfries and Galloway Integration Joint Board (IJB) this includes the entire resources of the Acute and Diagnostics' Directorate, Community Health and Social Care Directorate which also includes all prescribing areas, Mental Health and Learning Disabilities services and the entirety of Women and Children services. Facilities, E-health and strategic services have also all been delegated to the IJB so as a result there is no set aside budget, with the majority of clinical services delegated. The IJB is jointly supported by the NHS Board and the Local Authority with an equal number of voting members nominated by each partner organisation.

The IJB is responsible for the strategic planning and operational oversight of the functions delegated to it and directs the NHS Board and Local Authority to deliver services in accordance with their strategic plan.

The IJB has approved its Strategic Commissioning Plan covering 2022-25 which builds on the learning from the initial IJB plan. Despite the Covid-19 pandemic a level of engagement and consultation with the public and community about changes to Health and Social Care over the new commissioning period was undertaken. The plan is available on the partnership website ([www.dghscp.co.uk](http://www.dghscp.co.uk)).

The operational delivery of NHS services is delivered through the Health and Social Care Partnership led by the IJB Chief Officer who also has a dual role as Chief Operating Officer for the NHS Board. Services not delegated to the IJB are managed through the executive management team of the Board.

### **Key issues and risks that could affect delivery of objectives**

The NHS Board agreed a range of Tactical Priorities for 2021/22 at the April 2021 meeting, it was recognised that these were specific to the stage in the pandemic that the Board was currently at and would need to be reviewed during the year. They were summarised as follows:

- Covid 19 Containment Work
- Continued Support for Staff Wellbeing
- Delivery of Sustainable Service Models
- Delivery of Enhanced Services to address Pandemic Harms

These incorporated a range of activities including the delivery of the vaccination programme, the establishment of the Public Health Committee, the Sustainability and Modernisation Programme, Elective activity recovery, staff wellbeing support, implementing new service models in Community and consideration of longer term impact of Covid-19.

As the Scottish Government continued to direct Boards through the emergency Covid-19 legislation, the Board continued to operate in line with the Pandemic Plan with Strategic, Tactical and Operational Commands. This supported rapid decision making throughout the Covid-19 response and the development of Mobilisation Plans which transformed into Remobilisation plans as we progressed through the various Pandemic phases. The emergency position was stepped back at the end of April 2022 when a number of new services developed for Covid-19 were scaled back including Test and Protect.

The NHS Board (including services delegated to the IJB) delivered a breakeven position for 2021/22 however there was a continued reliance on non-recurring savings and resources to deliver this, £13.445m was also provided by Scottish Government on a non recurring, non repayable basis to deliver breakeven.

During 2021/22, the Sustainability and Modernisation (SAM) Programme has continued to work closely with the Operational Directorates to progress priorities with a view to modernising local service provision while moving the system to a more sustainable position. The SAM Team has focused on identifying, defining and bringing forward plans for the sustainability element of the programme and have supported the Financial Recovery Board in development of the savings pipeline. A number of programme boards have been jointly established to support the delivery of the strategic plan and provide a framework around the modernisation programme, these include; Planned Care (including Cancer), Unscheduled Care and Redesign of Urgent Care, Primary Care Transformation, Community Transformation and Complex Care.

The capital programme was able to be restarted in 2021/22 however continued to experience difficulties with a range of pressures which have impacted on the pace at which the programme was able to progress, as a result there has been an in year underspend on the programme. The difficulties include workforce challenges around capacity, resources and expertise to deliver the programme; scarcity of equipment; contractor demand and the ongoing covid and Brexit impact. Work has commenced to understand the impact of Hybrid working on the estates and critically some of the changes required to the GP and Community estates to support new ways of working.

## **Performance Summary**

2021/22 continued to present unprecedented challenges for health and social care across Dumfries and Galloway and standard financial and non financial performance reporting was significantly adapted during this time to support the ongoing response to the pandemic and the emergency footing governance arrangements put in place.

NHS Dumfries and Galloway achieved all 3 financial statutory targets and delivered efficiency savings in the year of £14.8m (£2.4m recurring and £12.4m non recurring). The Board were provided with additional non recurring, non repayable funding by Scottish Government of £13.445m, which was provided to support the delivery of a breakeven position.

Consolidated net revenue expenditure for the Board in 2021/22 was £444m and capital expenditure was £6.1m. The Financial Statements provide further detail on the Board's income and expenditure during the year and its financial position at the year end.

The Board was required to submit its third version of Remobilisation Plan (RMP3) to Scottish Government by the 31<sup>st</sup> March 2021. This plan included details of how as a Board we planned to start to both remobilise and redesign services post pandemic but also living with the ongoing consequences. RMP3 was approved by Scottish Government on 2<sup>nd</sup> April 2021 and presented to NHS Dumfries and Galloway Board on 12<sup>th</sup> April 2021. This plan was subsequently updated in year (RMP4) and was further updated to reflect updates on Q3 and Q4 performance. The RMP will be replaced for 2022/23 with the Annual Delivery Plan which is currently under development and will need to be submitted to Scottish Government by end June 2022.

NHS Dumfries and Galloway has developed a performance management framework to monitor performance against all former LDP Standards and a monthly performance report is regularly presented to the NHS Board and Performance and Resources Committee. Further details on these and other key performance indicators are given in the Performance Analysis section below.

NHS Dumfries and Galloway has a formal system of risk identification and evaluation embedded throughout the organisation which seeks to manage risk and uncertainty. The Audit and Risk committee reviews and monitors all risks which are identified and receives an annual risk report. There are 18 corporate risks which the Board is currently managing and mitigating to ensure the achievement of the objectives of the Operational Plan. These are provided in the Governance Statement.

## **PERFORMANCE ANALYSIS**

### **Non Financial Performance**

During 2021/22 the pandemic continued to impact on performance delivery. A level of activity was maintained to ensure emergency, cancer and patients deemed as clinically urgent were seen and treated. However, there has been a system wide impact on elective care, with services only 'switched on' as COVID demands have allowed. Collaborative working with diagnostics, radiology, laboratory and endoscopy has enabled the reinstatement of outpatient clinics and elective surgery within current capacity as surge allows.



The Board has been achieving the agreed trajectories in the Remobilisation Plan (RMP4) across many areas, however, the 'Omicron' wave of COVID in early 2022 caused further setbacks to the plans. Ongoing communication with Primary Care via the established routes (fortnightly Teams meeting with acute clinical directors and GP cluster leads) maintained the dialogue in relation to significant waiting list numbers.

The Sustainability and Modernisation (SAM) programme has supported progress in three main areas of redesign within Planned Care; ophthalmology glaucoma shared care model, orthopaedics and dementia care.

In Dumfries and Galloway, the main focus of the national Reshaping Urgent Care Programme has been on developing and implementing the Flow Navigation Centre. NHS24 passes on calls to the Flow Navigation Centre where they have determined that people need urgent care. People calling, who need to, can access a senior clinical decision maker and enable the safe scheduling of appointments in our Emergency Departments (EDs) to support effective social distancing. There are typically 120 calls a week, with around 1 in 4 of these given a scheduled appointment. The Emergency Departments typically have 900-1000 attendances per week.

Some key performance elements during 2021/22:

- The number of people meeting the ED 4 hour waiting time standard has steadily fallen over the last 8 months, with 82% of attendances meeting the standard in January 2022. This is attributed in part to the very high occupancy levels being experienced and level of delays within the system.
- The 31 day waiting time standard for patients diagnosed with cancer to begin treatment within 31 days of decision to treat has been met consistently over the last year. However, the 62 day waiting time standard for urgent referral of suspicion of cancer to begin treatment has been impacted by the national challenges relating to colorectal and urological cancer treatment. In January 2022, 82% of eligible people started their treatment within 62 days
- From trials of screening adult psychology clients at 8 weeks (of being on the waiting list) at the end of 2019 we learned that when we went back to people, between 40-60% did not require psychological therapies within secondary care. These people were either signposted to other agencies, given resources to self-manage their issues or directed back to Primary care. This was extended to child psychology which in early 2020 had long waiting times for psychological therapy, with similar results.
- The waiting list for Child and Adolescent Mental Health Services (CAMHS) had been stable at around 250 people per month, with 17% of people waiting longer than 18 weeks. At the end of January 2022, there were 125 people, with 5 (4%) waiting longer than 18 weeks.
- The number of delays within the hospitals has steadily increased and this has impacted on the occupancy levels within DGRI. At the end of January 2022 there were 74 people awaiting care in a more suitable setting, accounting for 2,663 bed days during the month. During October and November 2021 the DGRI has had no choice but to double up rooms, in what is meant to be a 100% single occupancy site. Risk assessments were undertaken.
- Of the people experiencing a delay, a substantial proportion awaits support to return to their own homes. Staff who would otherwise be providing intermediate care are currently providing Care at Home for people in the community as the Partnership attempts to address the Care at Home challenges. Additional surge beds in Mountainhall Treatment Centre have been opened to relieve occupancy pressures.
- In Dumfries and Galloway, the rate of emergency admissions and the number of bed days spent in hospital by people admitted as an emergency are higher than the average for Scotland.
- The number of people from deprived communities who successfully quit smoking for at least 12 weeks was the highest in Scotland.
- A higher proportion of people diagnosed with dementia received appropriate dementia support than the average across Scotland however, this was below the national standard of 100%.

The complexity and impact of the Covid-19 lockdown is still being experienced by our population and this has affected people in different ways. It is anticipated this will be the situation for the foreseeable future.

A snapshot of performance against Remobilisation Plan 3 & 4 targets are shown below, performance against these targets are monitored and reported through the Board and IJB Committee structure on a routine basis.

Some figures reported are coloured red, amber or green (RAG). We have used these definitions to set the colour:

We are meeting or exceeding the target or the number we compare against	We are within 3% of meeting the target or number we compare against	We are more than 3% away from meeting the target or number we compare against
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<b>1. Treatment Time Guarantee (TTG)</b>		<b>March 2022</b>	
Number of people expected to be seen during the month (target trajectory; taken from RMP3,RMP4)		576	
Number of people seen during the month (percentage of target trajectory)		608 (106%)	
Number of people on waiting lists at the end of the month		2,955	
<b>2. New outpatient appointments (doctor led clinics only)</b>		<b>March 2022</b>	
Number of people expected to be seen during the month (target trajectory; taken from RMP3,RMP4)		2,912	
Number of people seen during the month (percentage of target trajectory)		2,754 (95%)	
Number of people on waiting lists at the end of the month		10,959	
<b>3. Diagnostic scope services (new patients only; all scope activity)</b>		<b>March 2022</b>	
Number of people expected to be seen during the month (target trajectory; taken from RMP3, RMP4)		394	
Number of people seen during the month (percentage of target trajectory)		400 (102%)	
Number of people on waiting lists at the end of the month		389	



#### 4. Key diagnostic tests

(CT, MRI, Ultrasound) (new patients only)

March 2022

Number of people expected to be seen during the month (target trajectory; taken from RMP3, RMP4)

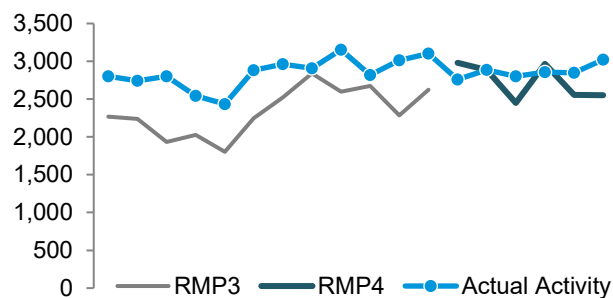
2,553

Number of people seen during the month (percentage of target trajectory)

3,023  
(118%)

Number of people on waiting lists at the end of the month

1,732



#### 5. AHP MSK Waits

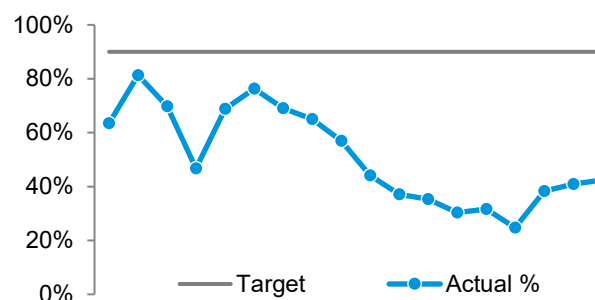
March 2022

Percentage of people who were waiting no longer than 4 weeks from referral to first appointment with the Allied Health Professional (AHP) Musculoskeletal (MSK) service at month end (Target = 90%)

42.5%

Number of people on waiting lists at the end of the month

1,786



#### 6. Cancer

(activity relating to people with a confirmed diagnosis of cancer)

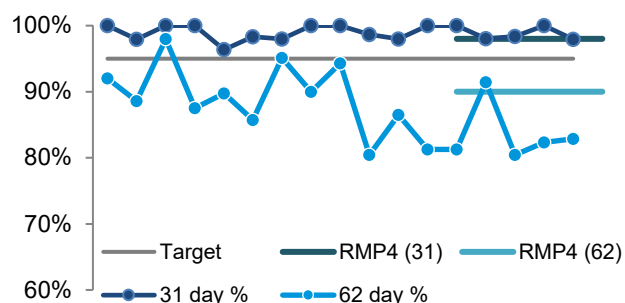
February 2022

Percentage of people who started treatment within 31 days of decision to treat (national standard; target = 95%)

97.9%

Percentage of people who started treatment within 62 days of referral of urgent suspicion (national standard; target = 95%)

82.9%



#### 7. Child and Adolescent Mental Health Services (CAMHS)

March 2022

Number of people expected to be seen during the month (target trajectory; taken from RMP3, RMP4)

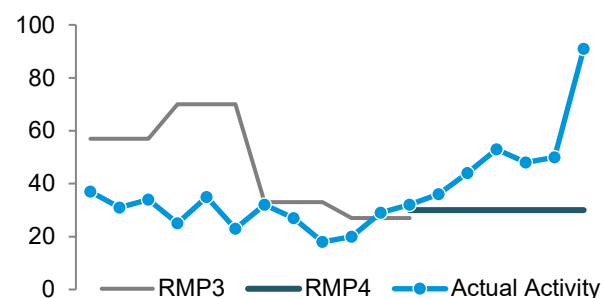
30

Number of people seen during the month (percentage of target trajectory)

91 (303%)

Number of people on waiting lists at the end of the month

160



## 8. Psychological therapies

March  
2022

Number of people expected to be seen during the month (target trajectory; taken from RMP3, RMP4)

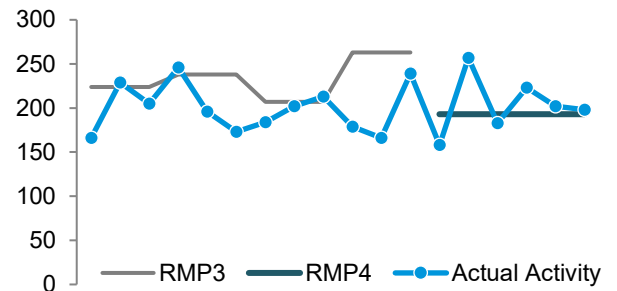
193

Number of people seen during the month (percentage of target trajectory)

198 (103%)

Number of people on waiting lists at the end of the month

900



## 9a. Emergency Department

March 2022

Number of people expected to attend the Emergency Department (projection from RMP3, RMP4)

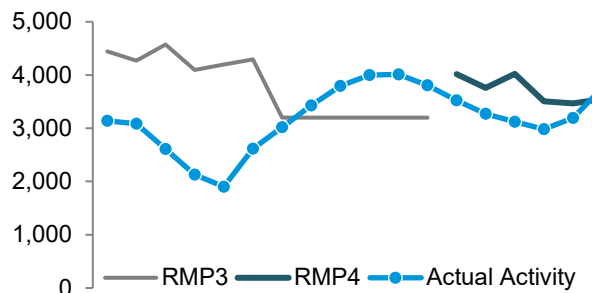
3,547

Number of people who attended the Emergency Department during the month (percentage of projection)

3,760  
(106%)

Percentage of people who wait no longer than 4 hours from arriving in Accident and Emergency to admission, discharge or transfer for treatment

79%



## 9b. Emergency Department

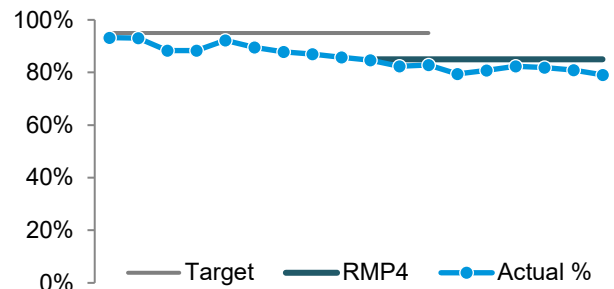
March  
2022

Percentage of people expected to wait no longer than 4 hours from arriving in Accident and Emergency to admission, discharge or transfer for treatment (RMP4 projection from October)

85%

Percentage of people who wait no longer than 4 hours from arriving in Accident and Emergency to admission, discharge or transfer for treatment (% of projection)

79% (93%)



## 10. Emergency Admissions

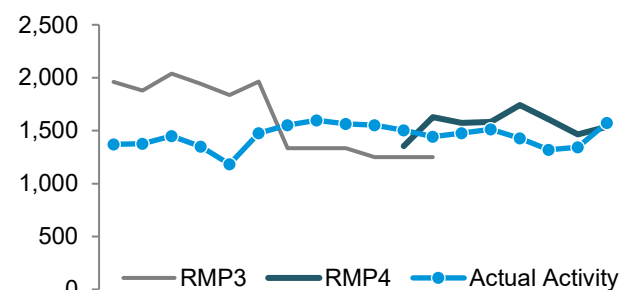
March  
2022

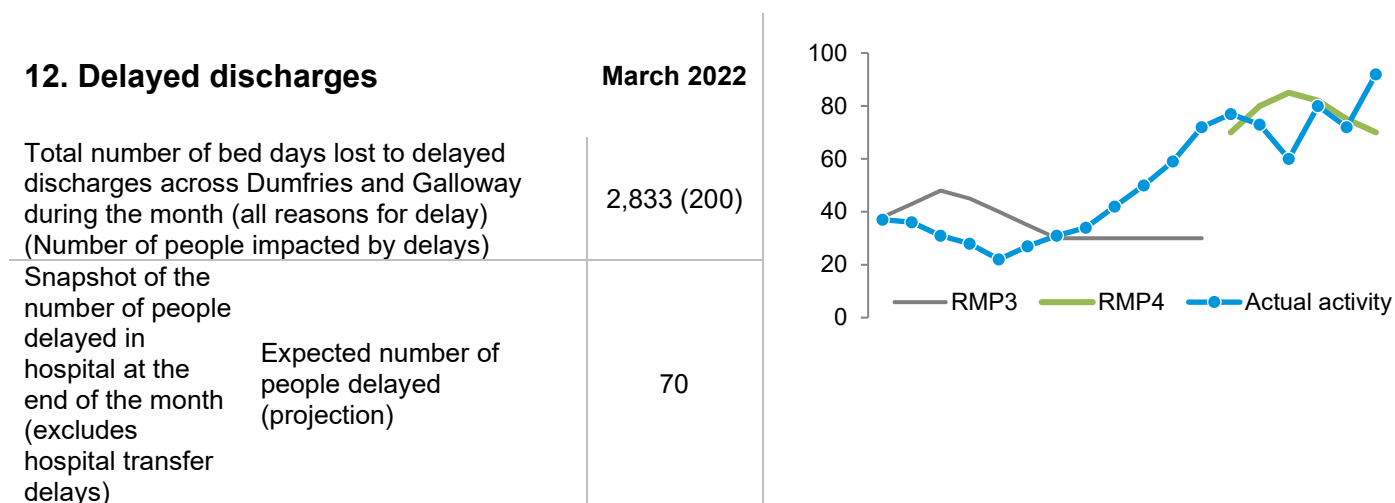
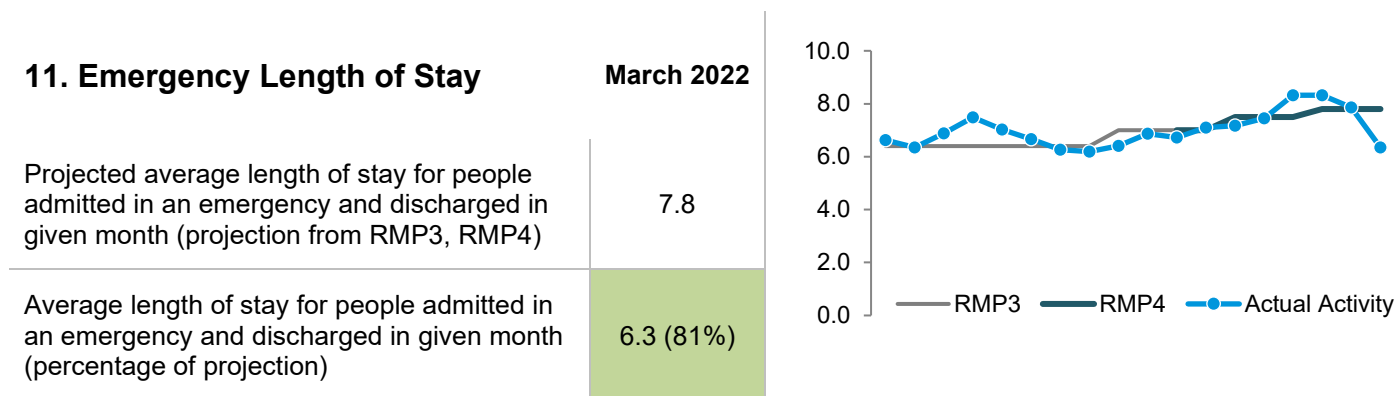
Number of people expected to be admitted to hospital in an emergency (projection from RMP3, RMP4)

1,538

Number of people admitted to hospital in an emergency (percentage of projection)

1,574  
(102%)





Performance information for the Board and The Health and Social Care Partnership can be found on their websites (<https://www.nhsdg.co.uk/> and <https://dghscp.co.uk/performance-and-data>) with other performance information being available from other organisations including the following:

- NHS Performs brings together information on how hospitals and NHS Boards within NHSScotland are performing including: Accident and Emergency (A&E) performance; hospital waiting times; the numbers of cancelled operations; healthcare associated infections (HAI); numbers of patients who remain in hospital longer than they need to be (delayed discharges); numbers of hospital beds; hospital deaths. This can be found at (<https://www.nhsperforms.scot/>)
- Public Health Scotland publishes reports on the various activities and performance of NHS Boards throughout the year. You can find up-to-date information on the PHS website: (<https://www.publichealthscotland.scot/publications/>)

### NHS Dumfries and Galloway Financial Performance

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

- a Revenue Resource Limit;
- a Capital Resource Limit; and
- a Cash Requirement.

Further details on non-core elements of expenditure, typically comprising items of a technical accounting nature, can be found in Note 2 - the Summary of Resource Outturn on page 62.

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 and are therefore not taken into account when considering the Board's in year financial performance.

The following table highlights the Boards delivery against these targets for 2021/22:

<b>2021/22 Target Delivery</b>	<b>Limit as set by SGHSCD £000's</b>	<b>Actual Outturn £000's</b>	<b>Variance (Deficit)/Surplus £000's</b>
Core Revenue Resource Limit	427,471	427,434	37
Non-Core Revenue Resource Limit	3,757	3,757	0
<b>Total Revenue Resource Limits</b>	<b>431,228</b>	<b>431,191</b>	<b>37</b>
Core Capital Resource Limit	6,122	6,122	0
Non-Core Capital Resource Limit	0	0	0
<b>Total Capital Resource Limits</b>	<b>6,122</b>	<b>6,122</b>	<b>0</b>
<b>Cash Requirement</b>	<b>438,765</b>	<b>438,765</b>	<b>0</b>

<b>Memorandum for in year outturn</b>	<b>£000's</b>
Core Revenue Resource Variance (Deficit)/Surplus in 2021/22	37
Financial flexibility: funding banked with/(provided by) Scottish Government	79
<b>Underlying (Deficit)/Surplus against Core Revenue Resource Limit</b>	<b>116</b>
<b>Percentage</b>	<b>0%</b>

A one-year financial plan was submitted to Scottish Government by NHS Dumfries and Galloway on 18<sup>th</sup> 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 Dumfries and Galloway received £13.445m.

The Board had financial gap of £31.194m at the start of 2021/22 with a savings plan of £15.155m identified at that stage for delivery in year. Despite the challenges of the ongoing pandemic in year total savings of £14.8m of which £2.4m were recurrent were delivered. Following discussions with Scottish Government a Financial Recovery Plan was developed in latter part of 2021/22 setting out the scale of the underlying financial deficit, future financial planning assumptions and plans for savings delivery.

The overall financial position remained relatively volatile during the year with a number movements in the financial position which weren't anticipated in the opening financial plan including increased medical costs, increase in vacancies, increased supplies spend, and higher than anticipated energy costs at year end. There were also a number of year end movements in expenditure on provisions, recruitment costs and other corporate spend.

Uniquely during 2021/22 NHS Boards were provided additional financial support to ensure resources were available to the Health and Social Care Partnership to respond to the Covid-19 pandemic, for Dumfries and Galloway this totalled £33.656m. Included within this total was £4.4m which was passed across to the Local Authority for social care costs and community testing capacity. The overall funding was used to support a range of additional costs for the immediate Covid-19 response including the vaccination programme, test and protect, provision of surge capacity for general and critical care beds, additional equipment, additional workforce requirements, support to third and independent sector providers and extending public health team capacity. Due to the nature of Covid-19 spend there was a level of year end flexibility in relation to this funding which the Partnership is carrying forward £16.346m into 2022/23 through IJB reserves and will be ringfenced for future years Covid-19 costs.

The following provides additional explanation of amounts included in the Board's financial statements within 2021-22:

- Provisions for impairment of receivables

At 31<sup>st</sup> March trade and other receivables due to NHS Dumfries & Galloway included a provision for impairment of debtors of £0.074m (2020-21 £0.390m). During the year £0.343m of the provision was released.

- Outstanding liabilities

At 31<sup>st</sup> March NHS Dumfries & Galloway had outstanding liabilities of circa £266m (2020-21 £248m). This included £1.8m due to other NHS Scotland boards, £11.3m to family health service practitioners, £4.4m to HMRC and £196m in PFI/NPD contracts.

- Legal Obligations

The Board participates in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme.

The Board brought forward a provision for individual claims of clinical and medical negligence under the CNORIS scheme at 1 April 2021 of £28.58m. Based on information provided by the Central Legal Office this has been decreased to £21.01m at 31 March 2022. The provision for new claims arising during the year and increases to the provision for existing claims totalled £3.25m. Utilisation of the provision during the year amounted to £5.21m and unutilised provisions of £5.62m were reversed.

The Board also provides for its respective share of the total NHS Scotland CNORIS liability as advised by the Scottish Government, based on information prepared by NHS Boards and the Central Legal Office, which amounts to £12.84m.

The provision for pensions, which relates mainly to injury benefits payments, decreased from £4.0m at 1 April 2021 to £3.75m at 31 March 2022.

Contingent liabilities for CNORIS are assessed at £5.62m (2020-21 £6.25m). This is partly offset by a contingent asset for CNORIS of £5.13m (2020-21 £5.52m).

- Significant Changes in Non-Current Assets

As a result of the in-year revaluation of land and buildings, a partial reversal of a previous impairment for Mountainhall Treatment Centre has impacted on Non-Current Assets (£5.4m).

- PFI/NPD Contracts

The Board has one contract financed under a Public Finance Initiative (PFI) and one under the Non Profit Distributing (NPD). The NPD funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland.

The previous maternity and day surgery unit in Dumfries now known as Mountainhall Treatment Centre is included on the balance sheet (land and buildings) as a PFI at a valuation of £6.402m as at 31 March 2022 and the contract ends in January 2032,

The Boards new District General Hospital DGRI is funded under NPD. The land and buildings are included on the balance sheet at a valuation of £211.914m as at 31 March 2022 and the contract ends in September 2042.

## Consolidated Accounts

The Annual Accounts consolidate the results of Dumfries and Galloway Health Board, Dumfries and Galloway Health Board Endowment Funds and the IJB. The basis of consolidation, explained in Note 1 Accounting Policies on Page 60 and 61 is determined by the extent of the control Dumfries and Galloway Health Board can effectively exercise over each of its partner organisations. All Trustees of the Dumfries and Galloway Health Board Endowment Fund are members of Dumfries and Galloway Health Board. The Board therefore has majority control and, using the principles stipulated in IFRS10, must consolidate, in full, the financial results into the main Board accounts. The Endowment Funds have reported an excess of income over expenditure for the year of £0.671m (2021-22, surplus £1.231m).

Voting membership of the IJB is however split equally between members of Dumfries and Galloway Health Board and Dumfries and Galloway Council. The Board therefore has exactly half of the controlling interest in the IJB and, under IAS28, 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:

<b>Consolidated Net Assets</b>	<b>2021/22 £000's</b>	<b>2020/21 £000's</b>
NHS Dumfries and Galloway	55,837	54,024
Integrated Joint Board	15,386	8,205
Endowment Fund	11,764	11,092
<b>Consolidated Net Assets</b>	<b>82,987</b>	<b>73,321</b>

### Payment Performance

The Scottish Government continues to be committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. The table below shows the Board's performance for non-NHS suppliers:

<b>Credit</b>	<b>2021/22</b>		<b>2020/21</b>	
Average credit taken (days)	7		7	
<b>Invoices Paid</b>	<b>Value</b>	<b>Volume</b>	<b>Value</b>	<b>Volume</b>
Within 30 days	96.12%	97.00%	97.19%	97.52%
Within 10 days	87.69%	88.56%	88.17%	89.90%

### Fraud, Bribery and Corruption

NHS Dumfries and Galloway has a zero tolerance for fraud, bribery or corruption. Staff are updated regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including targeted awareness in relation to Once for Scotland policies. There is also Fraud page on the staff intranet which provides a wide range of information.

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

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

The programme of patient exemption eligibility checking within the CFS Patient Claims Team (PCT) was suspended in April 2020 due to the Covid-19 pandemic. The PCT were subsequently redeployed to work in the NHS Scotland Test and Protect contact tracing programme. In addition to this, Dental and Ophthalmic services were severely disrupted and restricted for a large part of 2020. As a direct result of this interruption to service provision and combined with the lack of sampled exemption claim cases, there is not sufficient information available to CFS to allow for a robust and meaningful extrapolation calculation to be produced this year. The PCT resumed their programme of work in January 2021 and continue to check claims in both dental and ophthalmic care settings. CFS anticipates that the production of the annual Extrapolation calculation will resume in 2022. The Board is involved in the post payment verification processes which cover all Family Health Service expenditure.



## **Pension Liabilities**

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

## **Social matters**

NHS Dumfries & Galloway promotes Equality and Diversity and supports human rights in terms of the provision of services for the community it serves, and in its practice as an exemplar employer and beyond. Further information can be found in the mainstreaming report which can be found on the Boards website under the About Us section ([www.nhsdg.scot.nhs.uk](http://www.nhsdg.scot.nhs.uk)).

NHS Dumfries & Galloway has a zero tolerance approach to bribery and its commitment to the Bribery Act 2010 is set out within the Fraud Policy, Code of Conduct and a range of Board policies and procedures.

NHS Dumfries & Galloway has implemented and publicised the National Whistleblowing Standards as established by the Independent National Whistleblowing Officer and is committed to ensuring that no member of staff who raises a genuine concern in good faith will be victimised or suffer for doing so.

## **Sustainability and Environmental Reporting**

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

J Ace  
Chief Executive and Accountable Officer

# THE ACCOUNTABILITY REPORT

## Overview

The purpose of the Accountability Report is to set out how the Board meet key accountability requirements to Parliament. It comprises three key sections:

- **Corporate Governance Report**  
This explains how NHS Dumfries and Galloway has been governed during 2021/22, including membership and organisation of our governance structures and how they support the achievement of the objectives. The report includes the Directors' Report, the Statement of Accounting Officer's Responsibilities and the Governance Statement. The Corporate Governance Report is set out from page 15.
- **Remuneration and Staff Report**  
This sets out the remuneration policies for Non-Executive Directors and the Executive Directors and how these policies have been implemented for the reporting period, including salary information and pension liabilities. It also provides further detail on remuneration and staff expenditure. The Remuneration and Staff Report is set out from page 28.
- **Parliamentary Accountability and Audit Report**  
This brings together key information to support accountability to Parliament, including a summary of losses and special payment, fees and charges and remote contingent liabilities. The Parliamentary Accountability and Audit Report is set out from page 36.

# CORPORATE GOVERNANCE REPORT

## A) The Directors Report

### Date of Issue

The Accountable Officer authorised these financial statements for issue on 11<sup>th</sup> July 2022.

### Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Grant Thornton UK LLP to undertake the audit of NHS Dumfries and Galloway. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

### Board Membership

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

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

The table below sets out the names and positions of the Board Members who, at any time during the financial year were Directors:

POSITION	APPOINTEE	START/END DATE IF APPLICABLE
<b>Non-Executive Board Members</b>		
Chair	Mr N Morris	
Vice Chair	Mrs P Halliday	Until 31 <sup>st</sup> August 2021
Interim Vice Chair	Ms L Bryce	From 1 <sup>st</sup> Sept 2021
Member	Ms L Bryce	Until 31 <sup>st</sup> August 2021
Member	Dr L Douglas	
Member	Ms G Cardozo	
Member	Ms M Caig	
Member	Ms R Francis	Until 31 <sup>st</sup> January 2021
Member	Dr G Black	From 1 <sup>st</sup> November 2021
Member	Ms C Holmes	From 1 <sup>st</sup> November 2021
Member	Ms K Dams	From 1 <sup>st</sup> November 2021
Employee Director	Mrs V Keir	
Chair of Area Clinical Forum	Mr B Irving	
Local Authority Representative	Mr A Ferguson	
<b>Executive Board Members</b>		
Chief Executive	Mr J Ace	
Nurse Director	Mrs A Wilson	
Interim Nurse Director	Mr M Kelly	From 22 <sup>nd</sup> Nov 2021
Medical Director	Dr K Donaldson	
Director of Public Health	Ms V White	From 1 <sup>st</sup> June 2021
Director of Finance	Mrs K Kerr	

## **The Statement of Board Members' responsibilities**

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 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 the NHS Scotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material;
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

## **Board Members' and Senior Managers' Interests**

Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in Note 21.

A register of interests, which includes details of company directorships or other significant interests held by Board members and their close family members that may conflict with their management responsibilities, is available by contacting the Corporate Business Manager, Board Headquarters, Mountainhall Treatment Centre, Dumfries or on the Board's website ([www.nhsdg.co.uk](http://www.nhsdg.co.uk)).

## **Directors Third Party Indemnity Provisions**

Individual members of the Board or the Board as a group are covered by the Board's Clinical Negligence and other Risks Indemnity Scheme (CNORIS) in respect of potential claims against them.

## **Remuneration for Non Audit Work**

During 2021/22 the Boards auditors, Grant Thornton UK LLP received no fees in relation to non audit work.

## **Public Services Reforms (Scotland) Act 2010**

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

NHS Dumfries and Galloway publishes data on its external website, information is available by contacting the Corporate Business Manager, Board Headquarters, Mountainhall Treatment Centre, Dumfries or on the Boards website ([www.nhsdg.co.uk](http://www.nhsdg.co.uk)).

## **Personal data related incidents reported to the Information Commissioner**

During 2021/22 five incidents were reported to the Information Commissioner Office (ICO). Only two responses have been received, to date, from the ICO. On both occasions, the ICO determined that the Board need take no further action however recommended that, based on their investigations into these incidents, the Board should check adherence to local policies and processes regularly; offer routine reminders to employees

about data security to ensure data protection awareness remains high within the organisation and to ensure mandatory repeatable data protection training is undertaken by all staff.

In response to these suggestions made by the ICO, regular alerts are issued to all staff. A new mandatory Information Governance training module was released in August 2021 and all staff are required to complete this at induction and every two years thereafter.

### **Disclosure of Information to Auditors**

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

### **B) The Statement of Accountable Officers' responsibilities**

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 Dumfries and Galloway Health Board.

This designation carries with it, responsibility for:

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

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

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government's 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 Officers letter to me of the 22<sup>nd</sup> March 2022.

### **C) The Governance Statement**

#### **Scope of Responsibility**

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

In accordance with IFRS 10 (Consolidated Financial Statements) the Annual Accounts consolidate the Dumfries and Galloway Health Board Endowment Funds and in accordance with IAS 28 consolidate the Integrated Joint Board. This statement includes any relevant disclosure in respect of these.

## Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing NHS Dumfries and Galloway. 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 NHS Dumfries and Galloway accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

## Governance Framework

NHS Dumfries and Galloway Board operate as a Board of governance in line with Scottish Government legislation with its key focus to provide strategic leadership and direction for the local NHS system as a whole.

The overall purpose of the Board is to provide strategic leadership and direction, and ensure the efficient, effective and accountable governance of the local NHS system.

Specific roles of the Board include:

- improving and protecting the health of the local people;
- providing an improved health service for local people;
- focusing clearly on health outcomes and people's experience of their local NHS system;
- promoting integrated health and community planning by working closely with other local organisations; and
- providing a single focus of accountability for the performance of the local NHS system.

The work of the NHS Board includes:

- strategy development - to develop a single Local Health Plan for the area;
- implementation of the Local Health Plan and Annual Operational Plan;
- resource allocation to address local priorities; and
- performance management of the local NHS system.
- knowledge relating to both risk assessment and risk management.

Board members are appointed by Scottish Ministers and are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level. The Non-Executive members are then appointed to the five Standing Committees and have the opportunity to scrutinise and challenge the Board's executive management.

In addition, as explained in the Directors report, all Board members are Trustees of NHS Dumfries and Galloway Endowment Fund and are accountable in law for discharge of the key duties of a Trustee as described in Section 66 of the Charities and Trustees Investment ("Scotland") Act 2005.

The Directors report also explains the establishment of the Integration Joint Board (IJB). 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 the IJB. The delegation of services is governed by an integration scheme agreed by both partners, details of the IJB delegated roles and responsibilities can be found within the IJB strategic plan on the website (<https://dghscp.co.uk/>).



The Board operates within an assurance framework which delegates specific governance functions to key sub committees, the conduct and proceedings of the Board are set out in its Standing Orders which describe how the Board in a routine year works and which matters the Board has reserved for its approval. The standard operating committees of the Board are Healthcare Governance Committee; Public Health Committee; Audit and Risk Committee; Performance and Resources Committee and Staff Governance Committee. You can find the Standing Orders (and other key documents) on the Board's website under the About Us section ([www.nhsdg.co.uk](http://www.nhsdg.co.uk)).

The terms of reference for each of the standing governance committees are also included in the Standing Orders. At its meeting in December 2019 the Board agreed to establish a Public Health Committee, due to the Covid-19 pandemic this was paused and whilst an initial Terms of Reference was agreed this wasn't progressed but became operational during 2021/22.

In addition, the Remuneration Sub-Committee which reports directly to the Staff Governance Committee is responsible for ensuring the application and implementation of fair and equitable systems for pay and for performance management on behalf of the Board. Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the Board's senior managers whose posts are part of the Executive and Senior Management Cohorts are, subject to Scottish Government guidance, determined by the Remuneration Sub-Committee.

On the 16<sup>th</sup> March 2020 agreement was given to suspend the Board Governance Committees due to the impending threat of COVID-19 and the lockdown restrictions that were being proposed and ultimately implemented. NHS Dumfries and Galloway instigated the major incident command and control structure to deal with the impending emergency and to implement the service changes that were required to be put in place to minimise the spread, impact and mortality of the pandemic on the population of the region. The Board returned to full governance arrangements in 2021/22. The NHS Scotland emergency arrangements for the pandemic were stood down at the end of April 2022.

The Cabinet Secretary for Health and Sport wrote to NHS Scotland on 17th May 2020 extending the professional accountability of Nurse Directors in Territorial Boards to include the need to ensure appropriate professional and clinical oversight of care homes and care at home services during the Covid pandemic for the period 18th May 2020 to 30th June 2021. As a result of this the Board set up a Care Home Oversight Group, initially meeting daily. This group continue to operate and now meets on a twice weekly basis. A paper was presented to Board in August 2020 which set out the governance and reporting arrangements. The current arrangement with the allocated recurrent funding were extended by the Cabinet Secretary to 31 March 2023. The Executive Nurse Director continues to undertake the duties assigned to this role as follows:

- Provide clinical leadership to support the health needs of care home residents.
- Use information from the safety huddle tool and other mechanisms through the oversight arrangements to identify where specific nursing support may be required.
- Facilitate assurance/professional support visits providing professional and clinical advice on IPC practice, education requirements and nursing standards of care.
- Maintain oversight of the overall status of each care home and include in the weekly compliance report to Scottish Government.
- Ensure provision of specific IPC expertise and support where required, including reviewing and recommending actions to be taken in relation to IPC practice, cleaning regimes, and appropriate and effective use of PPE to prevent transmission of infection.
- Continue to support the identification of education and training needs of staff in care homes, supporting them to enhance their skill and knowledge in IPC and other clinical issues to enhance and maintain standards of care.
- Work with others to identify and support the sourcing of staffing as required by care homes (when their own business continuity plans cannot meet this need) and as defined in DL (2020)10 and DL(2020)13 to ensure mutual aid can be deployed where necessary in support of the maintenance of services to older people and adults in care homes.
- Ensure the continued provision of Nursing and AHP support in community settings so that peoples' healthcare needs can be met in their own home.

The work of the Care Home oversight Group continues; and through partnership working, has significantly strengthened many aspects of care home care and quality of that care and continue to work in close partnership with the Care Inspectorate, Care Homes and partner agencies.

The table below demonstrates the activity of the NHS Board and Standing Committees in 2021/22:

Committee	Chair	Quorate Meetings Held 2021/22
NHS Dumfries and Galloway Board	Mr N Morris	14 7 public, 7 private
Healthcare Governance Committee	Mrs P Halliday (01/03/21 to 31/08/21)	5
	Mr B Irving (01/09/21 to 20/03/22)	
	Ms K Dams (21/03/22 onwards)	
Audit and Risk Committee	Dr L Douglas	6
Performance and Resources Committee	Ms M Caig	3
Staff Governance Committee	Ms L Bryce	7
Public Health Committee	Ms G Cardozo	2

Board meetings for 2021/22 took place via Microsoft Teams and during the year there were 7 public meetings with the recordings published on the website after the meeting. In addition there were 7 private “in committee” Board meetings held during the year.

### Operation of the Board

2021/22 has again been dominated by the Covid-19 response, the Board has operated in an emergency response mode throughout the year and many areas of routine work have not been delivered upon as the pandemic placed unprecedented pressures on our clinical and support teams, some of which are described below.

It became very evident during 2020 that the Pandemic Plan in place did not support the response required for the emergence of a novel virus. The plan was revised and updated during 2020/21 but will need ongoing review and refinement based on the learning from the Covid-19 pandemic. In addition business continuity plans were reviewed to ensure that the revised working arrangements adopted during the pandemic are factored in.

### Operational Management Arrangements during Covid-19 response

A key component of the operational response to the pandemic was a revised organisational command and control structure that operated throughout. This had three formal levels for direction and decision making as follows:

- Strategic (Gold) - to provide strategic direction and co-ordinate the sourcing of support for the NHS Board, Chaired by the Chief Executive or the on-call Executive Director, and accountable directly to the Board.
- Tactical (Silver) - to co-ordinate the allocation of resources in line with agreed priorities, and provide tactical planning to identify and address emerging issues. These included ensuring appropriate decisions were made with respect to advice, commissioning and prioritisation. Chaired by the Chief Officer and accountable directly to Strategic Pandemic Control.
- Operational (Bronze) – one for each operational area to provide advice to Tactical and enable implementation of decisions and directions relating to work streams. All Operational were led by a General Manager or Director and were accountable to Tactical.

These groups were supported by the Strategic and Tactical Local Resilience Partnerships which brings together individuals from across Dumfries and Galloway including NHS, IJB, Police, Local Authority and Fire and Rescue.

The command and control pandemic response arrangements were formally initiated during March 2020 and were only subsequently stepped down early May 2022.

### **Covid-19 recovery and remobilisation plans**

The delivery of the National Waiting Times access targets has been extremely challenging given the suspension of elective work due to the Pandemic. Performance has significantly departed from the legislated Treatment Time Guarantee (TTG). This is consistent with all other Territorial Health Boards.

Additionally the work of the regional health improvement team which focuses on strategic health improvement work and addressing health inequalities was stood down during the year which requires to be addressed.

A remobilisation plan (RMP3) for 2021/22 was approved and officially signed off by Scottish Government that outlined the recovery plan of planned care across all directorates and specialties. This was subsequently updated to RMP4 and was updated to reflect the position for quarter 3 and quarter 4 of 2021/22. Our ongoing Public Health response to support the Covid-19 pandemic, remobilisation of Screening services and our Sustainability and Modernisation Programme was also highlighted. In addition specific focus is given to the development of Mental Health and Psychology services given the longer term impact on Wellbeing that is evident as a result of the pandemic.

### **General operations of the Board**

All Board Executive Directors and senior managers undertake a review of their development needs as part of the annual performance management and development process. Access to external and national programmes in line with their development plans and career objectives is supported. The Chief Executive is accountable to the Board through the Chair of the Board. The Chairman agrees the Chief Executive's annual objectives in line with the Board's strategic and corporate plans.

NHS Dumfries and Galloway consult with all of its key stakeholders, this is a continued focus for the year ahead, with further work on community engagement and co-production planned. For 2021/22 we continued to communicate with stakeholders in a variety of ways. We routinely communicate with, and involve, the people and communities we serve, to inform them about our future plans of hospitals and services. The focus of this work during 2021-22 has been to support the Integration Joint Board in the development of the Strategic Commissioning Plan, with significant consultation and engagement work being undertaken through online and digital methods as face to face discussions have not been possible.

The Board has in place a well-established complaints system, whereby members of the public can make a formal complaint to the Board regarding care or treatment provided by or through the NHS, or how services in their local area are organised if this has affected care or treatment; information on our complaints procedures is available on the website. All complaints received are managed in line with the standardised NHS Model Complaints Handling Procedure. During the year Healthcare Governance Committee has received regular reports on our performance against the national standards which has provided moderate assurance. However, this report does not cover learning from complaints and patient experience and Committee felt that they had not received moderate assurance about learning from complaints. The Committee is also aware that due to the service pressures and the pandemic during the past year the Board has not managed to keep pace with complaints coming into the system and the performance against the standards is likely to slip.

We communicate with staff through various channels to ensure greater engagement and to encourage them to contribute to the decision making in the areas in which they work. We have well established methods of communication through the intranet, a range of newsletters and director and manager briefings. During the year we have enhanced our briefings with weekly (at some points daily) Covid-19 briefings providing essential Covid-19 related information to colleagues and partners, with any urgent information being issued separately. The Core Briefing continued to pick up any non-Covid and non-urgent or operational information. The #OnTheGround newsletter, issued on a monthly basis, celebrates staff and volunteer achievements, positive news and updates, and significant developments within the health and social care partnership.

The Scottish Public Services Ombudsman took on the role of Independent National Whistleblowing Officer (INWO) from July 2020. The INWO developed a set of National Whistleblowing Standards (the Standards) that set out high level principles and detailed procedures for managing whistleblowing concerns. NHS Boards in Scotland were required to adopt the new standards from 1 April 2021, and the Board adopted the Standards from that date.

Whistleblowing is defined in the Public Services Reform (the Scottish Public Services Ombudsman) (Healthcare Whistleblowing) Order 2020 as:

*‘when a person who delivers services or used to deliver services on behalf of a health service body, family health service provider or independent provider (as defined in section 23 of the Scottish Public Services Ombudsman Act 2002) raises a concern that relates to speaking up, in the public interest, about an NHS service, where an act or omission has created, or may create, a risk of harm or wrong doing.’*

Risks can relate to a wrongdoing, patient safety or malpractice which the organisation oversees or is responsible or accountable for. A whistleblowing concern is different from a grievance in that it relates to the public interest, rather an individual's own employment situation.

The Standards are applicable across all NHS services. This means that they must be accessible to anyone working to deliver an NHS service, whether directly or indirectly. This includes current (and former) employees, bank and agency workers, contractors (including third sector providers), volunteers, trainees and students.

Dr Donaldson (the Medical Director), is the Board's Whistleblowing Lead, and Ms Caig is the Board's Non-Executive Whistleblowing Champion. The Board has a Senior Manager designated as a Confidential Contact and there are three Whistleblowing Advocates in place for students. The implementation and operational activities around whistleblowing are supported by Patient Services. During 2021/22 the Board received three whistleblowing concerns.

The Board requires to have a policy framework in place. As part of the 2020/21 internal audit plan an audit was undertaken on this area internal control and identified a number of weaknesses and could only provide limited assurance on the processes in place. A Short Life Working Group was established to progress the recommendations which focused on the update of the document review policy which was past its review date and a range of improvements to the processes in relation to policy management. An action plan was developed to implement the audit recommendations and was reported to Audit and Risk Committee on a regular basis as part of the regular review of progress on limited assurance audits. The policy document was updated and approved in year and of the 21 recommendations 12 have now been closed with the remainder on target for completion during 2022/23.

The principles of best value are incorporated within the Board's planning, performance and delivery activities to foster a culture of continuous improvement. Best value is part of everyday business and integral to the Board's decision making in all key areas. The Board's governance committees are integral to the delivery of best value principles and their respective remits have been revised to evidence this responsibility. Directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SPFM) and this is reviewed annually.

## **Risk Management**

NHS Dumfries and Galloway are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Dumfries and Galloway has in place a risk management strategy (2021-2024) which was refreshed in 2020/21 and approved in April 2021, it forms a key part of the systems of internal control which ensures that staff, patients, visitors, the Boards reputation and finances are protected through the process of risk identification, assessment, control and elimination or reduction.

The aims of the strategy are:

- To develop a proactive approach to risk management
- To manage risk to an agreed and acceptable level and in particular the risk of harm to patients and staff
- To support the organisation in creating a culture of continuous improvement
- To ensure that there is a system of comprehensive organisational engagement in risk management activity
- To ensure the organisations policies and procedures support practitioners and managers to include risk management in decisions and improve and drive effective decision making
- To provide an educational framework that encourages the sharing of knowledge relating to both risk assessment and risk management to create a shared understanding.

The Audit and Risk Committee supports the Board in their responsibilities for risk, risk control and risk governance and associated assurance through constructive challenge. A quarterly report is provided at each meeting as well as an Annual Report.

The Risk Executive Group (REG) was established in January 2015 to oversee arrangements for risk management and ensure NHS Dumfries and Galloway has appropriate governance arrangements in place to maintain operational co-ordination of risk management, in accordance with the Board's Risk Management Strategy. REG membership comprises of the Chief Executive, the Executive Nurse Director, Workforce Director and the Director of Finance, the Patient Safety & Improvement Manager, the Risk Manager and the Board Corporate Manager. The Risk Executive Group currently meets monthly.

The Risk Oversight Group (ROG) formed in February 2021 to oversee the implementation of Risk Strategy and associated policies and procedures. The group is chaired by Patient Safety & Improvement Manager with members drawn from Directorates and Corporate Services. ROG met monthly throughout 2021/22.

A separate Tactical Health & Safety Group (THSG) was formed in December 2021 to deal with matters of Health & Safety. The chairs of THSG and ROG meet regularly and act as Vice Chair for ROG and THSG respectively.

170 Managers across the system have undergone Risk Management training in the past 18 months. In addition to the specific risk management training, there are training programmes available to all staff which depending on the area of work includes training on risk assessments, health and safety, hazardous substances, general awareness of safety and display screen equipment risks, moving and handling and violence and aggression.

During 2019-2020 NHS Dumfries and Galloway's Internal Audit Team conducted its tri-annual review of NHS Dumfries & Galloway's Risk Management arrangements and reported a limited level of assurance on risk management. Significant progress has been made in addressing issues identified and all audit actions were closed as of October 2021.

A Risk Management Annual Report sets out in year progress and a summary of work for the year ahead. A detailed Risk Management Workplan is reviewed, agreed, and monitored via REG.

In year progress includes:

- The Risk Management Strategy and associated policy and procedures were refreshed; the Strategy was approved by the Board in April 2021.
- A revised Risk Management Strategy incorporating an updated Risk Appetite Statement was agreed by Board in April 2022.
- 3 Board workshops were held in year to update members on the new Risk Management Strategy, to review corporate risks in line with Corporate Objectives & Tactical Priorities and to consider Board Risk Appetite.

- Each Director and Corporate Team Leader engaged in a review of their risk register and over 500 risks (redundant or duplicate) were removed from the organisation's Risk Registers.
- The Corporate Risk Register has been monitored and reviewed throughout the year and is overseen by Management Team, Board and Audit and Risk Committee. Each of the standing committees will continue to review their section of the Corporate Risk Register.
- The Datix Dashboard module was procured in May 21 to enable real time reporting, it has been developed to provide access to a suite of customised real time data for Corporate & Tactical (Directorate) teams.
- All risk information and guidance are hosted on the Boards intranet site to ensure easy access by all staff. This includes the Risk Management Strategy and Policy, Risk Management Guidance, Risk Management Tools, and links to other associated internal and external web sites e.g., Health and Safety Executive, Occupational Health and Safety (SALUS), Scottish Patient Safety Programme (SPSP) and Datix.

Corporate Risks continue to be managed through the Risk Executive Group and have been updated to reflect the Board's Corporate Objectives and Tactical Priorities. As of April 2022, there are 18 risks on the Corporate Risk Register which have been through a process of individual review with Executives, REG, Board Management Team, Audit and Risk Committee and were approved by the Board in April 2022.

Corporate Risks on the register and the level of risk associated with each. Of the 18 current risks, we currently have 4 risks graded as Very High, 13 risks graded as High and the remaining 1 risk as Medium. 2 risks are at the target level which is less than previous year but is a consequence of the pandemic.

When identifying the risk level to the organisation both the likelihood and impact scores are combined to produce an overall risk rating of Low, Medium, High or Very High. Judgments on the acceptability or tolerability of a risk will depend on the context and the ability to safely manage the risk and also takes into consideration the effectiveness of controls put in place. All risks are now quality controlled by the risk team.

Further information on how the level of risk is assessed and what it means can be found on the Board website (<https://www.nhs.uk/publications/>) under health board policies section - risk register policy and procedure.

## **ASSESSMENT OF CORPORATE GOVERNANCE PERFORMANCE**

### **Board Governance**

Following the introduction of the "Blueprint for Good Governance" in February 2019 a review was undertaken on current practices within all Scottish Health Boards to try to develop a consistent approach to the way all Health Boards work. One of the practices that the national Corporate Governance Steering Group focussed on was the NHS Board Standing Orders, aiming to produce a standardised template that could be implemented across all Health Boards.

Following consultation and approval through the national steering group, Scottish Government issued circular DL(2019)24 on 13th December 2019 to all Health Boards in Scotland for implementation the next time the Standing Orders were due for review. The next review of the NHS Dumfries and Galloway Standing Orders was due to be in March / April 2020, however, due to COVID and the implementation of temporary governance arrangements for both the NHS Board and Committees, it was agreed to postpone the review of the full standing orders until we returned to full governance arrangements.

The return to full governance was noted at the NHS Board in September 2021 and a review of the existing Standing Orders against the new template was undertaken, with the revised Standing Orders approved at NHS Board in April 2022.

During 2021/22 Internal Audit reviewed the Board's governance arrangements and progress to develop them in line with the Blueprint for Good Governance. This report identified a number of improvement areas, whilst recognising some of the inevitable delays in implementation both nationally and locally as a result of the pandemic. The report identified 16 recommendations which will be progressed during 2022/23 including a review and reset of the governance workplan.



## **Financial Governance**

Financial Management has been intensive this year with the need to live forecast the likely impact of Covid-19 on budgets, adherence did remain strong during the year and a balanced financial position was achieved for 2021/22 as a result of cessation of elective activity and significant additional funding support from Scottish Government for Covid-19 expenditure. The Board still has a significant underlying financial deficit moving forward which the Board are aware of through regular reporting cycles, the Remobilisation plan outlines measures that the Board is considering to address projected future deficits. The work of the Sustainability and Modernisation Programme has progressed over the last 12 months despite the pandemic with a number of opportunities emerging to transform services and a unique opportunity to review models of care post pandemic. The Board has received regular reports on the progress within the Programme in year.

## **Staff Governance**

Staff Governance Committee have reported that a number of routine areas of work for staff have fallen behind as a result of the emergency response. In particular annual appraisals (exceptions to this are the Executive Cohort and Medics appraisals programmes which have been undertaken as normal during this period, due to their interconnectedness to pay); reporting; exit interviews and mandatory training have all been affected. This is a priority area for 2022/23.

During the year we have also seen a rise in grievances and employment tribunals relating to harassment and victimisation. Staff governance has been tasked with prioritising wellbeing for 2022/23 as one of their priorities. Significant investment in staff welfare projects has been prioritised with funding being provided by Endowments.

The Board has an identified a Spiritual Care Lead who took up post during 2021/22.

## **Clinical Governance**

During 2020/21 two issues arose within our Central Services Sterilisation Department (CSSD). One involved a batch of items which didn't reach the required temperature that should have been re-processed and one where there was inadequate processes in place for recalling packs that had exceeded their sterilisation date. Whilst no patients came to harm and immediate actions were progressed once the issue was identified, this was an area of ongoing focus and review for 2021/22, with all remedial actions now completed.

## **Information Governance**

Work continues to improve our Cyber defenses with the continued adoption of Cyber Essentials Framework along with the new mandatory compliance with Network and Information Systems Regulations 2018 (NIS). Assurance for the Audit and Risk Committee has been provided in the period with the publication of the second NIS external report which received a score of 73% up from 71% last year. This remains the highest score of any territorial Board across NHS Scotland. The recommendations from this Audit have now also been added to the significant agenda within the IT Departments annual work plan which also includes a series of additional external penetration tests - Hardwired/ Wi-Fi/ Medical device/ External ethical hacking and cyber tests.

The Board has improved data sharing between partner organisations in the period but with a large new series of requests to support HOME Teams, many new challenges have emerged which will be worked through going forward. There are currently low risk of any data breaches with the approach so far, however difficulty remains in sharing relevant detailed information which has the ability to improve the ability of practitioners ability to carry out rapid assessments with the minimum of bureaucracy.

Although mandatory training for Information Governance and Security has been reintroduced to the organisation, successfully achieving 55% compliance so far. There has been five incidents reported in year to the Information Commissioners Officer as significant breaches. No recommendations however have been made or received so far as a result.

## Internal Audit

Further assurance is taken from the work carried out by Internal Audit. Regular reports are provided to Audit and Risk Committee which gives independent assurances on audit work undertaken.

- The Chief Internal Auditor continues to report to myself and Audit and Risk Committee on the length of time taken to close off outstanding audit actions and as would be expected during the pandemic there has been a worsening of the position in year which Audit and Risk Committee also continue to raise with management as a concern. Currently 70% of all actions are now overdue.
- Audit and Risk Committee are responsible for ensuring progress is monitored on remedial action plans from previous Limited Assurance audits. There have been no Limited Assurance audits this year and positive progress continues to be made against implementing the actions from the two Limited audits in 2020/21.
- The risk management audit noted earlier continued to be reported to Audit and Risk Committee during the year, there has been considerable progress on risk during the year and the final action was closed in November 2021. A concern still remains around the sustainable workforce to continued to progress.
- The audit of the Governance Blueprint, which provides Moderate Assurance completed at the end of October 2021 and has met with delays in debriefing on the findings and subsequently receiving the management responses to allow the issue the final report. Pressures due to Covid are impacting on some areas of work within the board and this is being highlighted as an area of focus that needs to be re-prioritised.

The Chief Internal Auditor has concluded that there were adequate and effective internal controls in place throughout the year and whilst highlighting a number of areas, can provide the opinion that I as Accountable Officer have implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role.

## 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 during the year has been informed by:

- Regular review meetings with the executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas. Each has provided me with certificates of assurance for the purposes of informing this Governance Statement;
- The management of the Covid-19 pandemic through the command and control structure and through my leadership of Strategic Pandemic Control and the regular reports, updates and decisions made through this route;
- A review of key performance and risk indicators;
- The minutes and papers presented to the Board which demonstrate that the Board met regularly during 2021/22 to consider its plans, strategic direction, and response to the pandemic, to allocate resources, to review the management of performance and to receive minutes and reports from its Standing Committees;
- Confirmation through the annual statements of the standing governance committees that they have worked effectively in 2021/22. All statements have been prepared by the lead Executive Director and Non Executive Chairperson and submitted to the their Committee for approval, this process has been strengthened in year to align the statement with the Committee terms of reference, areas of good work as well as areas where improvements could be made were identified in all Committee statements;
- The work of the internal auditors, who provide their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement. Internal Audit deliver their work based on an approved risk based plan and are compliant with Public Sector Internal Audit Standards.
- Comments made by the external auditors in their attendance at Audit and Risk Committee, their management letters and other reports;
- Management letters and other reports issued by the external auditors of the NHS Endowment Fund.
- A range of topics covered by the Board workshops which develop the knowledge and awareness of both Executive and Non Executive Directors;

- A review of any external inspection report received by the Board. During 2021/22 two reports were received from Healthcare Improvement Scotland (HIS). One in relation to an unannounced visit to Lochmaben Hospital in which the Board received six areas of good practice and one improvement requirement which was acknowledged as a very positive result by the Cabinet Secretary. The second report was in relation to an announced visit at DGRI for Ionising Radiation (Medical Exposure) Regulations 2017 which resulted in two requirements and one recommendation. Action plans have been developed.
- Reporting to NHS Board on the Financial Performance including the extent to which the Board is reliant on non-recurring sources to achieve financial targets.
- A review of Annual Service Audit Reports which are intended to provide assurance around the internal control's frameworks in place for a range of services provided on behalf of NHS Scotland. This includes Payments to Practitioners, IT Services and Finance Ledger Systems. Last year the service audit report in relation to Practitioner and Counter Fraud services was qualified. Practitioner and Counter Fraud Services produced and completed an action plan to deliver all the recommendations made in 2020-21 service audit report with ongoing quality improvement continuing throughout the year. For 2021/22, the service audit reports in relation to NSI financial ledger services, IT services and Practitioner and Counter Fraud Services are unqualified.
- Independent consideration of the governance statement and its disclosures by Internal Audit and Audit and Risk Committee.

## Disclosures

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

Our clinical and support teams have been extremely effective at maintaining critical services during the pandemic but it is clear that waiting times for elective treatment have increased to beyond our target position in several specialties and our Treatment Time Guarantee compliance has been significantly reduced. Our remobilisation plans set out trajectories for recovery but this backlog of clinical work, in the context of a system with persistently high occupancy and activity, is a significant new problem for the Board that is likely to persist for an extended period of time.

The pandemic had a major impact on the Board's ability to make financial savings which, coupled with significant inflationary pressures on our cost base, has increased our underlying financial deficit to an unprecedented level. The financial recovery plan highlights a period of recovery over several years and remains a very high risk situation for the Board as reflected in our corporate risk register.

## REMUNERATION REPORT AND STAFF REPORT

### A) Remuneration Report

#### Remuneration Committee

Remuneration Committee provide assurance to the Board that the remuneration of Executive Directors and other Senior Managers is determined through a fair and justifiable process.

The Committee agree all the terms and conditions of employment of Executive Directors, including job description; job evaluation; terms of employment; basic pay; performance pay; benefits; objectives and performance ratings; the arrangements to award discretionary points and conducting a regular review of the Board's policy for the remuneration and performance assessment of Executive Directors and other Senior Managers in the light of guidance issued by SGHSCD.

The membership of the Committee is the Board Chairman (Chair); Employee Director and four Non Executive Board Members. The Chief Executive and Workforce Director are in attendance. The Committee meets as required, three meetings were held in 2021/22.

#### Board Members' and Senior Employees' Remuneration

Information disclosed in this report relates to the remuneration of Board Members and Senior Managers who directly report to the Chief Executive. As previously highlighted, Interests of board members/senior managers which constitute related parties under IAS 24 have been disclosed in Note 21 where material transactions have taken place with these parties in the year. Other disclosures in these accounts provide details of the interests of Board Members and Senior Managers, and information about related party transactions.

Board Members and Senior Managers are remunerated in accordance with approved national pay rates. All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by Scottish Government Health and Social Care Directorate (SGHSCD) has been appropriately applied and agreed by the Remuneration Committee. Determination of individual salary placement on appointment is guided by the terms of circulars Health Department Letter (HDL) (2006)23 and HDL (2006)59 as amended by subsequent directives issued by SGHSCD.

Annual pay rises for Executive Directors and Senior Managers are dependent on achieving specified levels of performance. The performance appraisal arrangements are overseen by the Remuneration Committee and are established in line with SGHSCD guidance.

In accordance with the Financial Reporting Manual (FReM) and the Companies Act, "pension benefits" have been included within the remuneration report. 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.

Across the Executive and Non-Executive Board Members and the Senior Employees disclosed above, the Board did not pay any performance related bonus during 2021/22.

There were amounts payable to NHS 24 for the services of the Interim Nurse Director from November 2021 to March 2022 for which there is a secondment agreement in place. No awards were made to past Senior Managers.

Details of Board Members' remuneration are disclosed in the remuneration report and have been subject to audit.

#### Directors and Senior Employees Remuneration (*Audited Information*)

The following table provides details on the remuneration of the Executive Directors, Non-Executive Directors and Senior Employees for 2021/22.

Single figure of remuneration						
	Gross Salary (Bands of £5,000)	Bonus payments (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remunerati on (Bands of £5,000)
	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
<b>Executive Members</b>						
Mr J Ace, Chief Executive	120-125	0	0	120-125	61	185-190
Mrs K Kerr, Director of Finance (a)	95-100	0	0	95-100	45	140-145
Dr K Donaldson Medical Director (b)	185-190	0	3.4	190-195	42	230-235
Mrs A Wilson, Director of Nursing (c)	95-100	0	0	95-100	77	170-175
Mr M Kelly Interim Nurse Director (d)	30-35	0	0	30-35	0	30-35
Ms V White Director of Public Health (e)	115-120	0	0	115-120	43	155-160
<b>Non-Executive Members</b>						
Mr N Morris	40-45	0	0	40-45	0	40-45
Mrs P Halliday (f)	5-10	0	0	5-10	0	5-10
Ms L Bryce (h)	10-15	0	0	10-15	0	10-15
Dr G Black (g)	0-5	0	0	0-5	0	0-5
Dr L Douglas (h)	10-15	0	0	10-15	0	10-15
Ms G Cardozo (h)	10-15	0	0	10-15	0	10-15
Ms M Caig (h)	10-15	0	0	10-15	0	10-15
Ms K Dams (i)	0-5	0	0	0-5	0	0-5
Ms R Francis (j)	5-10	0	0	5-10	0	5-10
Ms C Holmes (k)	0-5	0	0	0-5	0	0-5
Mrs V Keir (l)	60-65	0	0	60-65	15	75-80
Mr B Irving (m)	60-65	0	0	60-65	18	80-85
Mr A Ferguson	5-10	0	0	5-10	0	5-10
<b>Other Senior Employees</b>						
Mrs J White (n)	110-115	0	0	110-115	36	145-150
Mrs C Cooksey	95-100	0	0	95-100	32	130-135
<b>Total</b>			<b>3.4</b>		<b>369</b>	
<b>Notes</b>						
(a)	The "total earnings in year" column shows the remuneration relating to actual earnings payable in 2021/22.					
(b)	Mrs K Kerr is the Chief Finance Officer of the Integration Joint Board (IJB) and receives payment for this.					
(c)	Dr K Donaldson received £20k to £25k in respect of non-Board duties included in remuneration above for Consultant sessions.					
(d)	Mrs A Wilson received a payment of £0-5k during the year for the Temporary Responsibility Allowance for Nurse Directors for providing appropriate professional and clinical oversight to care homes and care at home services during the Covid-19 pandemic. Mrs A Wilson is currently absent.					
(e)	Mr M Kelly joined on 22 <sup>nd</sup> November as Interim Director of Nursing, the FYE would have been £70-£75k. His appointment is by secondment arrangement from NHS 24.					
(f)	Ms V White was appointed Executive Director on 1 June 2021.					
(g)	Mrs P Halliday left on 31st August 2021. The FYE would have been £10-£15k					
(h)	Dr G Black joined 1 November 2021. The FYE would have been £5-£10k					
(i)	Dr L Douglas, Ms G Cardozo, Ms L Bryce and Ms M Caig all received payment for being an IJB member.					
(j)	Ms K Dams joined 1 November 2021 and receives payment for being an IJB member. The FTE would have been £10-£15k.					
(k)	Mrs R Francis left on 31st January 2022, The FYE would have been £5-£10k					
(l)	Ms C Holmes joined 1 November 2021. The FYE would have been £5-£10k					
(m)	Mrs V Keir receives payment for being an IJB member. In addition received £5-10k in respect of non-Board duties included in remuneration above for nursing shifts worked.					
(n)	Mr B Irving receives payment for being a IJB substitute voting member and received £50 to £55k in respect of non-Board duties included in remuneration above for his substantive post.					
(n)	Mrs J White is the Chief Officer of the IJB and receives payment for this.					

The following table provides details on the remuneration of the Executive Directors, Non-Executive Directors and Senior Employees for 2020/21.

Single figure of remuneration						
	Gross Salary (Bands of £5,000)	Bonus payments (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21
<b>Executive Members</b>						
Mr J Ace, Chief Executive	115-120	0	0	115-120	71	185-190
Mrs K Kerr, Director of Finance (a)	90-95	0	0	90-95	50	140-145
Dr K Donaldson Medical Director (b)	180-185	0	2.5	185-190	48	230-235
Mrs A Wilson, Director of Nursing (c)	80-85	0	0	80-85	88	170-175
<b>Non-Executive Members</b>						
Mr N Morris, Chairperson	30-35	0	0	30-35	0	30-35
Mrs P Halliday Vice-Chairperson	15-20	0	0	15-20	0	15-20
Dr L Douglas (d)	10-15	0	0	10-15	0	10-15
Ms G Cardozo (d)	10-15	0	0	10-15	0	10-15
Ms L Bryce (d)	10-15	0	0	10-15	0	10-15
Ms M Caig (d)	10-15	0	0	10-15	0	10-15
Ms R Francis	5-10	0	0	5-10	0	5-10
Ms M Gunn (e)	0-5	0	0	0-5	0	0-5
Mrs V Keir (f)	50-55	0	0	50-55	38	90-95
Mr B Irving (g)	40-45	0	0	40-45	50	90-95
Mr A Ferguson	5-10	0	0	5-10	0	5-10
<b>Other Senior Employees</b>						
Mrs J White (h)	105-110	0	0	105-110	48	155-160
Mrs C Cooksey	95-100	0	0	95-100	18	110-115
Ms V White	105-110	0	0	105-110	43	150-155
<b>Total</b>			<b>2.5</b>		<b>454</b>	
<b>Notes</b>						
	The "total earnings in year" column shows the remuneration relating to actual earnings payable in 2020/21.					
	All Executive Directors and Senior Employees received the £500 Covid -19 payment.					
(a)	Mrs K Kerr previously known as Lewis, is the Chief Finance Officer of the Integration Joint Board (IJB) and receives payment for this.					
(b)	Dr K Donaldson received £20k to £25k in respect of non-Board duties included in remuneration above for Consultant sessions.					
(c)	Mrs A Wilson received a payment of £0-5k during the year for the Temporary Responsibility Allowance for Nurse Directors for providing appropriate professional and clinical oversight to care homes and care at home services during the Covid-19 pandemic.					
(d)	Dr L Douglas, Ms G Cardozo, Ms L Bryce and Ms M Caig all receive payment for being an IJB member.					
(e)	Ms M Gunn left on 19 <sup>th</sup> June 2020. The FYE would have been £10-15k.					
(f)	Mrs V Keir joined on 1 April 2020 and receives payment for being an IJB member. In addition received £0-5k in respect of non-Board duties included in remuneration above for nursing shifts worked.					
(g)	Mr B Irving joined on 22 <sup>nd</sup> July 2020 and receives payment for being an IJB substitute voting member. The FYE is £55-60k.					
(h)	Mrs J White is the Chief Officer of the IJB and receives payment for this.					



### Directors and Senior Employee Pension benefits (Audited Information)

The following tables show the pension benefits of the Executive Directors, Non-Executive Directors and Senior Employees for 2021/22 and prior year.

Pension Benefits (2021/22)							
	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2022	Real increase in CETV in year
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£'000)	(£'000)	(£'000)
<b>Executive Members</b>							
Mr J Ace	60-65	135-140	2.5-5	2.5-5	1130	1217	87
Mrs K Kerr	40-45	80-85	2.5-5	0-2.5	687	744	57
Dr K Donaldson	50-55	95-100	2.5-5	0	827	884	57
Mrs A Wilson	40-45	120-125	2.5-5	10-12.5	811	917	106
Mr M Kelly	30-35	80-85	0-2.5	0-2.5	698	701	3
Ms V White	25-30	40-45	2.5-5	0-2.5	336	375	39
<b>Non-Executive Members</b>							
Mrs V Keir	15-20	40-45	0-2.5	0-2.5	317	337	20
Mr B Irving	5-10	15-20	0-2.5	0-2.5	136	155	19
<b>Senior Employees</b>							
Mrs J White	35-40	70-75	2.5-5	0-2.5	556	598	42
Mrs C Cooksey	25-30	55-60	0-2.5	0-2.5	491	537	46

Pension Benefits (2020/21)							
	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2021	Real increase in CETV in year
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£'000)	(£'000)	(£'000)
<b>Executive Members</b>							
Mr J Ace	50-55	125-130	2.5-5	5-7.5	1,004	1,096	92
Mrs K Kerr	35-40	75-80	2.5-5	2.5-5	604	663	59
Dr K Donaldson	45-50	90-95	2.5-5	0-2.5	739	798	59
Mrs A Wilson	35-40	105-110	2.5-5	12.5-15	677	787	110
<b>Non-Executive Members</b>							
Mrs V Keir	15-20	65-70	0-2.5	2.5-5	270	307	37
Mr B Irving	5-10	15-20	0-2.5	2.5-5	85	131	46
<b>Senior Employees</b>							
Mrs J White	30-35	65-70	2.5-5	0-2.5	486	536	50
Mrs C Cooksey	15-20	50-55	0-2.5	0-2.5	392	427	35
Ms V White	20-25	35-40	2.5-5	0-2.5	286	323	37

## Fair Pay Disclosure (Audited Information)

The previous fair pay disclosures have been revised. The disclosure is intended to hold organisations to account for remuneration policy, and in particular, the remuneration of the highest paid director compared with the median, lower quartile and upper quartile remuneration of staff. The pay ratio information is set out in the table below:

	2022 £000s	2021 £000s	Change %
Range of staff remuneration	9-219	9-215	
Highest Earning Director's Total Remuneration	190-195	180-185	
Median (Total Pay & Benefits)	32,937	32,432	1.55%
Median (Salary Only)	32,934	32,407	1.63%
Ratio	5.8:1	5.6:1	
25 <sup>th</sup> percentile (Total Pay & Benefits)	25,702	25,433	1.06%
25 <sup>th</sup> percentile (Salary Only)	25,665	25,404	1.03%
Ratio	7.4:1	7.3:1	
75 <sup>th</sup> percentile (Total Pay & Benefits)	42,768	41,428	3.23%
75 <sup>th</sup> percentile (Salary Only)	42,443	41,119	3.22%
Ratio	4.5:1	4.5:1	

There has been no significant change compared to prior year and the underlying changes relate to pay awards and incremental changes.

## B) STAFF REPORT

### Higher Paid Employees' Remuneration (Audited Information)

The headcount of senior staff as at the 31<sup>st</sup> March of each year is provided below:

Clinicians			Other		
Band (bands of £5,000)	2022 Number of Staff	2021 Number of Staff	Band (bands of £5,000)	2022 Number of Staff	2021 Number of Staff
£70,001 to £80,000	28	26	£70,001 to £80,000	7	6
£80,001 to £90,000	25	16	£80,001 to £90,000	0	1
£90,001 to £100,000	20	27	£90,001 to £100,000	7	7
£100,001 to £110,000	24	21	£100,001 to £110,000	0	1
£110,001 to £120,000	15	15	£110,001 to £120,000	1	0
£120,001 to £130,000	19	9	£120,001 to £130,000	0	0
£130,001 to £140,000	10	15	£130,001 to £140,000	0	0
£140,001 to £150,000	16	11	£140,001 to £150,000	0	0
£150,001 to £160,000	14	9	£150,001 to £160,000	0	0
£160,001 to £170,000	3	10	£160,001 to £170,000	0	0
£170,001 to £180,000	10	9	£170,001 to £180,000	0	0
£180,001 to £190,000	6	7	£180,001 to £190,000	0	0
£190,001 to £200,000	4	1	£190,001 to £200,000	0	0
£200,001 and Above	4	2	£200,001 and Above	0	0

These numbers exclude directors and senior members of staff, details of whose remuneration are disclosed separately elsewhere in this report.

## Staff Numbers and Expenditure (Audited Information)

STAFF COSTS £'000	Executive Board Members	Non Executive Board Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2022 Total	2021 Total
Salaries and wages	628	151	164,524	0	0	(1,028)	164,275	162,767
Taxation and Social security costs	83	7	16,870	0	715	0	17,675	15,698
NHS scheme employers' costs	128	0	29,720	0	0	0	29,720	27,873
Other employers' pension costs	0	0	135	0	82	0	217	126
Secondees	0	0	0	931	0	0	931	704
Agency staff	0	0	0	0	13,742	0	13,742	10,303
	839	158	211,121	931	14,539	(1,028)	226,560	217,471
Compensation for loss of office/early retirement	0	0	0	0	0	0	0	9
<b>Total Employee Expenditure</b>	<b>839</b>	<b>158</b>	<b>211,121</b>	<b>931</b>	<b>14,539</b>	<b>(1,028)</b>	<b>226,560</b>	<b>217,480</b>
STAFF NUMBERS (WTE)	Executive Board Members	Non Executive Board Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2022 Total	2021 Total
Whole time equivalent	5	10	3,939	14	78	12	4,058	3,988
<b>Notes</b>								
There were 0 staff engaged directly on capital projects (0 in 2020 – 21)								
Included in the total staff numbers above were disabled staff of 66 WTE (2020 – 47 WTE)								
No special advisors or consultants are included in these numbers								
Other employers' pension costs are the contribution to the NEST scheme								

## Reconciliation to income and expenditure

	£'000
Total employee expenditure as above	226,560
Add: employee income included in Note 5	1,028
<b>Total employee expenditure disclosed in Note 4</b>	<b>227,588</b>

## Staff Composition

As at 31st March, the gender profile of the employees of the Board per details held on the payroll system is as follows:

	2022			2021		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	3	6	2	2	4
Non-Executive Directors and Employee Director	4	8	12	3	7	10
Senior Employees	135	78	213	126	70	196
Other Employees	774	4,322	5,096	744	4,085	4,829
<b>Total Headcount</b>	<b>916</b>	<b>4,411</b>	<b>5,327</b>	<b>875</b>	<b>4,164</b>	<b>5,039</b>

For the purposes of this analysis senior employees are those earning over £70,000 per annum.

No personal verification has been carried out on these numbers and therefore they cannot be assumed to be an accurate reflection of staff composition. The payroll system only allows for individuals to be entered as male or female, no option exists for staff to note as “prefer not to say”.

More detailed information about our workforce composition including the recently published Equality Mainstreaming Report 2021 can be found at <https://www.nhs.uk/equality-and-diversity/>. Gender pay information was published in April 2021 and work on reviewing the data and developing an action plan that we can undertake locally will continue via Staff Governance Committee recognising that all NHS pay is negotiated nationally, not at Board level.

### Sickness Absence data

	2022	2021
NHS Dumfries & Galloway	5.37%	4.66%

Sickness absence continues to be higher than the 4% target and have been impacted over the past twelve months by the Covid-19 Pandemic. We remain committed to our goal to have an engaged and motivated workforce that recognises and values both physical and mental health and wellbeing as a key workforce asset. By achieving this cultural shift we aim to achieve 96% of our workforce to be consistently well, motivated and at work, in line with the current Scottish Government standard (Working Well Strategy and Action Plan, January 2017).

In 2018 the Board established the Working Well Steering Group, chaired jointly by the Workforce Director and the Employee Director, which reports to the Health and Social Care Performance and Governance Group, and provides regular updates on progress via the Area Partnership Forum and Staff Governance Committee. In 2021 the steering group was temporarily stood down in response to the workload demands of the Covid 19 pandemic, and established a core executive Group to continue to take this work forward. The objective of the Executive Group is to oversee the delivery of the priorities for workforce wellbeing and support focus during the pandemic, in line with the strategic change programme and action plan for building health and wellbeing resilience within the workforce in NHS Dumfries and Galloway. The organisation agreed a three year action plan for 2019 – 2022 to continue this important work and this has continued to shape our approach and areas for focus throughout the pandemic.

Over the past twelve months our focus on staff wellbeing has been essential to our delivery of our emergency Covid-19 response. We have delivered a comprehensive local programme of individual and team level wellbeing support with a strong focus on mental health and wellbeing for all our staff, as well as for staff across the wider Health and Social Care Partnership which includes staff within Care Homes and Care at Home services. This has been complemented by a range of national programmes that staff have been able to access, including the Promis website, the Wellbeing Hub and a national asymptomatic nosocomial staff testing programme.

### Employment of disabled persons

As an equal opportunities employer the Health Board 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.

The Board strives to be an inclusive and accessible organisation seeking to end discrimination in all aspects of its business and for all those who interact with NHS Dumfries and Galloway. Through the development of a set of equality outcomes for delivery over the period 2021 - 2025 the Board is seeking to become more equitable in the way in which it employs its workforce, reflecting more closely the population it serves, while ensuring that employees experience a safe and more supportive workplace which contributes to their positive health and wellbeing.

## Other Employee Matters

NHS Dumfries and Galloway strives to deliver a staff experience and employment framework in accordance with the national Staff Governance Standards set for NHSScotland which requires all NHS Boards to demonstrate that staff are; well informed; appropriately trained and developed; involved in decisions; treated fairly and consistently; with dignity and respect in an environment where diversity is valued and provided with a continuously improving and safe working environment, promoting the health and wellbeing of staff, patients and the wider community.

Our performance against the standards are monitored through the Board's Staff Governance Committee and through submission of an annual self assessment return for Scottish Government. Our report on our self assessment of performance in 2020/21 against the national Staff Governance standards was approved by our Staff Governance Committee on 27 September 2021 and was submitted to Scottish Government thereafter.

## Exit Packages (Audited Information)

There was no exit packages agreed in year, comparative information for 2020/21 is included below:

Exit package cost band 2020/21	Number of compulsory	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	1	1
Total number of exit Packages by type	0	1	1
Total Resource Cost (£'000)	0	9	9

## Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328) place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

The facility time report for 2021/22 will be published on the Boards website ([www.nhsdg.co.uk](http://www.nhsdg.co.uk)) by August 2022.

The online reporting service can be found here: <https://www.gov.uk/government/publications/trade-union-facility-time-publication-service-2018-19>

## PARLIAMENTARY ACCOUNTABILITY REPORT

### Losses and Special Payments

On occasion, the Board is required to write off balances which are no longer recoverable. Losses and special payments over £300k require formal approval to regularise such transactions and their notation in the annual accounts.

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

	2022		2021	
	Number of cases	£000	Number of cases	£000
Losses	49	57	17	62
Special Payments	66	5,445	42	2,574

In the year to 31 March 2022, there were no balances in excess of £300,000 written off.

In 2021/22, the Board was required to pay out £3.899m in respect of 1 claim individually greater than £300,000 settled under the CNORIS scheme (2020/21: £1.354m, 3 claims). Further details on the scheme can be found in Note 1.15 of the annual accounts.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in Note 14.

J Ace  
Chief Executive and Accountable Officer

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY NHS BOARD, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT**

## **Reporting on the audit of the financial statements**

### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Dumfries and Galloway NHS Board and its group for the year ended 31 March 2022 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated and Board Statement of Financial Position, the Statement of Consolidated Cashflows, the Statement of Consolidated 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 our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board 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**

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

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

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

Based on the work we have performed, we 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, we report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website ([www.audit-scotland.gov.uk/our-work/annual-audits](http://www.audit-scotland.gov.uk/our-work/annual-audits))



## **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our 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**

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

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

- Obtaining an understanding of the applicable legal and regulatory frameworks and identifying which laws and regulations are significant in the context of the board. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service (Scotland) Act 1978, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual);
- Obtaining an understanding of how the board is complying with that framework. We enquired of management, internal audit and the chair of the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We enquired of management and the Audit and Risk Committee concerning the board and group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations;
- Assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to manual journals, including year-end journals, accounting estimates in relation to the valuation of land and buildings, overstatement of other income and understatement of expenditure.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manual year-end journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building valuations;
- sample testing the completeness of expenditure; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- Considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. This included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the health sector and economy in which the board and group operates
  - understanding of the legal and regulatory requirements specific to the board and group including:
    - the provisions of the applicable legislation
    - rules and related guidance issued by Scottish Government
    - the applicable statutory provisions.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition and the significant accounting estimates related to land and building valuations.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The board and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, financial statement consolidation processes, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The board and group's control environment, including the policies and procedures implemented by the board and group to ensure compliance with the requirements of the financial reporting framework.

The extent to which our 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. These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

## **REPORTING ON REGULARITY OF EXPENDITURE AND INCOME**

### **Opinion on regularity**

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

## **Responsibilities for regularity**

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

## **REPORTING ON OTHER REQUIREMENTS**

### **Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration Report and Staff Report**

We have audited the parts of the Remuneration Report and Staff Report described as audited. In our opinion, the audited part of the Remuneration Report 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 Report and Staff Report.

Our 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 our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on 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 our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

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

## **Use of our report**

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

Mark C Stocks, (for and on behalf of Grant Thornton UK LLP),  
110 Queen Street  
Glasgow  
G1 3BX  
Date:

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Statement of Consolidated Comprehensive Net Expenditure

	Note	2022 £000's	2021 £000's
Staff costs	4a	227,588	218,099
Other operating expenditure	4b		
Independent Primary Care Services		44,733	44,479
Drugs and medical supplies		75,592	72,746
Other health care expenditure		496,968	494,512
<b>Gross expenditure for the year</b>		<b>844,881</b>	<b>829,836</b>
Less: Operating Income	5	(393,323)	(384,210)
Integration Joint Board accounted for on an equity basis	9	(7,181)	(6,935)
<b>Net Expenditure for the year</b>		<b>444,377</b>	<b>438,691</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE</b>		<b>2022 £000's</b>	<b>2021 £000's</b>
Net (gain)/loss on revaluation of Property Plant and Equipment		(13,511)	0
Net (gain)/loss on revaluation of available for sale financial assets		(1,057)	(2,179)
Other Comprehensive (Income)/ Expenditure		<b>(14,568)</b>	<b>(2,179)</b>
<b>Total Comprehensive Net Expenditure</b>		<b>429,809</b>	<b>436,512</b>

The Notes to the Accounts, numbered 1 to 23, form an integral part of these accounts.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Consolidated and Board Statement of Financial Position

	Note	Consolidated 2022 £000's	Board 2022 £000's	Consolidated 2021 £000's	Board 2021 £000's
<b>Non-current assets:</b>					
Property, plant and equipment	8c	325,099	325,072	308,634	308,607
Intangible assets	7	640	640	304	304
Financial assets:					
- Investments in associates and joint ventures	9	15,386	15,386	8,205	8,205
- Trade and other receivables	10	20,589	20,589	28,907	28,907
		<u>361,714</u>	<u>361,687</u>	<u>346,050</u>	<u>346,023</u>
<b>Current Assets:</b>					
Inventories		1,459	1,459	1,310	1,310
Financial assets:					
- Trade and other receivables	10	10,768	10,618	6,356	6,126
- Cash and cash equivalents	12	613	79	2,264	793
Available for sale financial assets	11	11,859	0	10,527	0
Assets classified as held for sale	8b	308	308	308	308
		<u>25,007</u>	<u>12,464</u>	<u>20,765</u>	<u>8,537</u>
<b>Current liabilities</b>					
Provisions	14a	(7,090)	(7,090)	(14,447)	(14,447)
Financial liabilities:					
- Trade and other payables	13	(76,820)	(76,102)	(52,165)	(51,473)
<b>Total Current Liabilities</b>		<u>(83,910)</u>	<u>(83,192)</u>	<u>(66,612)</u>	<u>(65,920)</u>
<b>Non-Current assets plus/less net current assets/liabilities</b>		<u>302,811</u>	<u>290,959</u>	<u>300,203</u>	<u>288,640</u>
<b>Non-current liabilities</b>					
Provisions	14a	(30,646)	(30,646)	(30,631)	(30,631)
Financial liabilities:					
- Trade and other payables	13	(189,178)	(189,090)	(196,251)	(195,780)
		<u>(219,824)</u>	<u>(219,736)</u>	<u>(226,882)</u>	<u>(226,411)</u>
<b>Total Assets less Total Liabilities</b>		<u>82,987</u>	<u>71,223</u>	<u>73,321</u>	<u>62,229</u>
<b>Taxpayers' Equity</b>					
General fund	SOCTE	3,596	3,596	15,290	15,290
Revaluation reserve	SOCTE	52,241	52,241	38,734	38,734
Other reserves	SOCTE	15,386	15,386	8,205	8,205
Funds Held on Trust	SOCTE	11,764	0	11,092	0
<b>Total taxpayers' equity</b>		<u>82,987</u>	<u>71,223</u>	<u>73,321</u>	<u>62,229</u>

The Notes to the Accounts, numbered 1-23, form an integral part of these accounts.

The financial statements on pages 42 to 89 were approved by the Board on 11th July 2022 and signed on their behalf by:

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Statement of Consolidated Cash Flows

	Note	2022 £000's	2021 £000's
<b>Cash flows from operating activities</b>			
Net expenditure	SOCTE	(444,377)	(438,691)
Adjustments for non-cash transactions	3a	(4,353)	5,237
Add back: interest payable recognised in net operating expenditure	3b	12,844	12,828
Investment Income		(204)	(158)
Movements in working capital	3c	21,310	19,226
<b>Net cash (outflow) / inflow from operating activities</b>	23c	(414,780)	(401,558)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,964)	(3,891)
Purchase of intangible assets		(455)	(2)
Investment Additions	11	(1,411)	(6,979)
Proceeds of disposal of property, plant and equipment		0	100
Receipts from sale of investments		1,136	7,092
Interest and dividends received		204	158
<b>Net cash (outflow) / inflow from investing activities</b>	23c	(6,490)	(3,522)
<b>Cash flows from financing activities</b>			
Funding	SOCTE	439,479	423,386
Movement in general fund working capital	SCOTE	(714)	718
<b>Cash drawn down</b>		438,765	424,104
Capital element of payments in respect of finance leases and on-balance sheet PFI		(6,302)	(5,464)
Interest Paid	3b	0	0
PFI Contracts: Interest element of finance leases and on-balance sheet PFI	3b	(12,844)	(12,828)
<b>Net Financing</b>	23c	419,619	405,812
Net Increase / (decrease) in cash and cash equivalents in the year		(1,651)	732
Cash and cash equivalents at the beginning of the year		2,264	1,532
<b>Cash and cash equivalents at the end of the year</b>		613	2,264
<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
Increase/(decrease) in cash in year	12	(1,651)	732
Net cash at 1 April		2,264	1,532
<b>Net cash at 31 March</b>		613	2,264

The Notes to the Accounts, numbered 1-23, form an integral part of these accounts.



# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Statement of Consolidated Changes in Taxpayers' Equity

	Note	General Fund £000's	Revaluation Reserve £000's	Other Reserve (IJB) £000's	Funds Held on Trust £000's	2022 Consolidated Reserve £000's
Balance At 1st April 2021		15,290	38,734	8,205	11,092	73,321
Changes in taxpayers' equity for 2021/22						
Net gain on revaluation/indexation of property, plant and equipment	8a	0	13,507	0	0	13,507
Net (loss) on revaluation of available for sale financial assets		0	0	0	1,057	1,057
Impairment of property, plant and equipment	8a	0	5,392	0	0	5,392
Revaluation & impairments taken to operating costs	3a	0	(5,392)	0	0	(5,392)
Transfers between reserves		0	0	0	0	0
Other non cash costs - Covid equipment from DOH		0	0	0	0	0
Net operating cost for the year	CFS	(451,173)	0	7,181	(385)	(444,377)
Total recognised (expense) / income for 2021/22		(451,173)	13,507	7,181	672	(429,813)
Funding:						
Drawn down	CFS	438,765	0	0	0	438,765
Movement in General Fund	CFS	714	0	0	0	714
	SoFP	439,479	0	0	0	439,479
Balance At 31st March 2022		3,596	52,241	15,386	11,764	82,987

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Statement of Consolidated Changes in Taxpayers' Equity

		General Fund £000's	Revaluation Reserve £000's	Other Reserve (IJB) £000's	Funds Held on Trust £000's	2021 Consolidated Reserve £000's
<b>PRIOR YEAR</b>	<b>Note</b>					
<b>Balance At 1st April 2020</b>		32,700	38,734	1,270	9,862	82,566
<b>Changes in taxpayers' equity for 2020/21</b>						
Net gain on revaluation/indexation of property, plant and equipment	8a	0	0	0	0	0
Net (loss) on revaluation of available for sale financial assets		0	0	0	2,180	2,180
Impairment of property, plant and equipment	8a	0	(100)	0	0	(100)
Revaluation & impairments taken to operating costs	3a	0	100	0	0	100
Transfers between reserves		0	0	0	0	0
Other non cash costs - Covid equipment from DOH		3,880	0	0	0	3,880
Net operating cost for the year	CFS	(444,676)	0	6,935	(950)	(438,691)
<b>Total recognised (expense) / income for 2020/21</b>		<b>(440,796)</b>	<b>0</b>	<b>6,935</b>	<b>1,230</b>	<b>(432,631)</b>
<b>Funding:</b>						
Drawn down	CFS	424,104	0	0	0	424,104
Movement in General Fund	CFS	(718)	0	0	0	(718)
	SoFP	423,386	0	0	0	423,386
<b>Balance At 31st March 2021</b>		<b>15,290</b>	<b>38,734</b>	<b>8,205</b>	<b>11,092</b>	<b>73,321</b>

The Notes to the Accounts, numbered 1-23, form an integral part of these accounts.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

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## 1 ACCOUNTING POLICIES

### 1.1 a) Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 1.29 below.

#### **(a) Standards, amendments and interpretations effective in current year**

There are no new standards, amendments or interpretations effective in current year.

#### **(b) Standards, amendments and interpretation early adopted this year**

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

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

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 Dumfries and Galloway 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.

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 will have on the comprehensive net expenditure for the financial year ending 31 March 2023 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2022.

The standard is expected to reduce total expenditure in 2022-23 by £0.150m. Right-of-use assets totalling £3.874m will be brought onto the Statement of Financial Position, with an associated lease liability of £3.720m.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 1 ACCOUNTING POLICIES

<b>IFRS 16 – Impacts to the SoCNE</b>	<b>2022-23 £000's</b>
Anticipated depreciation	660
Interest expense expected	25
IAS 17 – basis lease payments expected	(835)
<b>Net impact to SoCNE in the year to 31 March 2023</b>	<b>(150)</b>
<b>IFRS 16 – Impacts to the SoFP</b>	<b>2022-23 £000's</b>
Right of use asset from 1 April 2022	2,656
Net additions/(disposals) to right-of-use asset as at 31 March 2021	1,218
<b>Net impact to SoFP in the year to 31 March 2023</b>	<b>3,874</b>
Existing IAS-17 operating leases brought on at 1 April 2022	2,502
Re-measurements to finance leases brought on at 1 April 2022	0
Net additions/(disposals) to lease liability as at 31 March 2023	1,218
<b>Net liability as at 31 March 2023</b>	<b>3,720</b>

### 1.2 Basis of Consolidation

#### Endowments

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Dumfries and Galloway Health Board Endowment Fund.

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

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

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

#### Integration Joint Board

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

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of the Integration Joint Board using the equity method of accounting.

The Dumfries and Galloway Integration Joint Board was established as a body corporate by order of the Scottish Ministers on 3 October 2015 under the Public Bodies (Joint Working)(Scotland) Act 2014. It is jointly controlled by NHS Dumfries and Galloway and Dumfries and Galloway Council who each appoint five representatives to be voting members of the Integration Joint Board.

Transactions between the Board and the Integration Joint Board are disclosed separately in the notes to the accounts.

Note 23 to the Annual Accounts details how these consolidated Financial Statements have been calculated.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

#### 1.3 Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

#### 1.4 Accounting Convention

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories and financial assets and liabilities (including derivative instruments) at fair value.

#### 1.5 Funding

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

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

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

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

Non-discretionary funding out with the Revenue Resource Limit (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.

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.

#### 1.6 Property, plant and equipment

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

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

##### 1.6.1 Recognition

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

All assets falling into the following categories are capitalised:

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

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

#### 1.6.2 Measurement

##### **Valuation**

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

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 a 5-year programme of professional valuation 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 Institution 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 valued at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

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

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**

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

##### **Revaluations and Impairment**

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

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.

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

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

### 1 ACCOUNTING POLICIES

#### Temporary Decreases in Asset Value:

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

#### 1.6.3 Depreciation

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

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

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

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

Asset Category/Component	Useful Life
<b>Buildings</b>	
Structure	4-90
Engineering	4-35
External Plant	4-40
Maintained Elements	15-90
<b>Equipment</b>	
Moveable engineering plant & equipment and long-life medical equipment	15
Furniture and medium-life medical equipment	10
Mainframe information and technology installations	8
Soft furnishings	7
Vehicles	7
Office, information technology, short-life medical and other equipment	3-5

#### Asset Category/Component Useful Life

#### 1.7 Intangible Assets

##### 1.7.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's business or which arise from contractual or other legal rights.



# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Board and where the cost of the asset can be measured reliably.

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

The main classes of intangible assets recognised are:

#### Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

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

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

#### Software:

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

#### Software licences:

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

#### Websites

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

#### 1.7.2 Measurement

##### **Valuation**

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

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

##### **Revaluation and impairment**

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

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

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

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

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

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

#### 1.7.3 Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
<b>Intangibles</b>	
Software Licences	3-10
Information Technology	3-10
Other Intangibles	3-10

#### 1.8 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:

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

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

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

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

#### 1.9 Donated Assets

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

#### 1.10 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.

#### 1.11 Leasing

##### Finance leases

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

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

##### Operating leases

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

##### Leases of land and buildings

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

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

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## 1 ACCOUNTING POLICIES

### 1.12 Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SoCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

### 1.13 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.

### 1.14 Inventories

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

### 1.15 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.

### 1.16 Employee Benefits

#### Short-term Employee Benefits

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

#### Pension Costs

The Board participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were 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 the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

Statement of Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

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

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

#### 1.18 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 4.

#### 1.19 Value Added Tax

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

#### 1.20 PFI/HUB/NPD Schemes

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

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

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FRoM, 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.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

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

#### 1.21 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.

#### 1.22 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 15 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 15, 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.

#### 1.23 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.

#### 1.24 Financial Instruments

##### Financial assets

##### Business model

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

##### Classification

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

- (a) Financial assets at fair value through profit or loss. This is the default basis for financial assets.
- (b) Financial assets held at amortised cost

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

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
  - ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.
- (c) Financial assets at fair value through other comprehensive income

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

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

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

#### Impairment of financial assets

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

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

#### Recognition and measurement

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

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

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

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

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

#### (b) Financial assets held at amortised cost

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

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

### Financial Liabilities

#### 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.



# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

#### (b) Financial liabilities held at amortised cost

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

#### Recognition and measurement

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

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

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

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

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

#### (b) Amortised costs

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

### 1.25 Segmental reporting

Operating segments are reported in Note 6 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 4.

### 1.26 Cash and cash equivalents

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

### 1.27 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 income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historic 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

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

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### 1 ACCOUNTING POLICIES

Statement of Financial Position date) are recognised in income or expenditure in the period in which they arise.

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

#### 1.28 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 22 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

#### 1.29 Key sources of judgement and estimation uncertainty

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

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

##### Property Valuations

In making judgements on the measurement of assets at 31 March 2022, NHS Dumfries and Galloway place reliance on valuation information received from the appointed valuers, Avison Young. The valuations have been prepared having regard to the contents of the RICS Valuation Global Standards 2022 (the Red Book) and specifically the appropriate bases on valuation for International Financial Reporting Standards (IFRS).

It is provided within these Standards (and associated RICS Practice Statements) that (a) for these properties that are owner-occupied and are of a non-specialised nature, the bases of valuation is Fair Value assuming on-going operational use, (b) for properties which are either owned but not occupied by the Board or have been declared surplus, these are also to be valued on the basis of Fair Value. Fair value is defined as 'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. (In this context, Fair Value is generally taken to be the equivalent of the RICS definition of Market Value) and (c) for properties that are owner occupied but are of a specialist nature, where few, if any, open market transactions involving a continuation of the existing use occur, then the basis of valuation is also Fair Value but the Depreciated Replacement Cost method of valuation is appropriate set against the assumption of a continuation of the existing health care use for the foreseeable future.

The valuation of the Board's assets have been undertaken within the context of the above stated principles and recognising the very specialist nature of the majority of the assets, these have thus been valued on the Depreciated Replacement Cost (DRC) model of valuation. Land assets have been assessed to Fair Value but, where relevant, subject to an assumption of on-going use for operational purposes in support of the activities undertaken by the Board.

##### PFI and NPD

The models used for PFI and NPD have been created by external advisors and check totals are included for ensuring the models continue to operate as intended. There is a low level of uncertainty as the model have been verified a number of times and continue to only be adjusted for RPI as required by the contract. The asset valuations are re-valued as part of the routine valuation as required by the Capital Accounting Manual.

##### Provisions

**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 Dumfries and Galloway. The provision covers all claims classified as category 3 and 50% of the

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

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## 1 ACCOUNTING POLICIES

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 Dumfries and Galloway employees for whom NHS Dumfries and Galloway have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 2. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	Note	2022 £000's	2021 £000's
<b>Net Expenditure</b>	SoCNE	<b>444,377</b>	<b>438,691</b>
Total Non Core Expenditure (see below)		(3,757)	(9,363)
FHS Non Discretionary Allocation		(19,982)	(20,088)
Donated asset income		0	0
Endowment Net Operating Income/(Costs)		(385)	(950)
Integration Joint Board accounted for on an equity basis		7,181	6,935
<b>Total Core Expenditure</b>		<b>427,434</b>	<b>415,225</b>
Core Revenue Resource Limit		427,471	415,303
<b>Saving against Core Revenue Resource Limit</b>		<b>37</b>	<b>78</b>

## SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation		8,010	7,792
Annually Managed Expenditure - Impairments		(5,392)	283
Annually Managed Expenditure - Creation of Provisions		929	179
Annually Managed Expenditure - Depreciation of Donated Assets	3a	98	136
Additional SGHSCD non-core funding		0	0
IFRS PFI Expenditure		112	973
<b>Total Non Core Expenditure</b>		<b>3,757</b>	<b>9,363</b>
Non Core Revenue Resource Limit		3,757	9,363
<b>Saving/(excess) against Non Core Revenue Resource Limit</b>		<b>0</b>	<b>0</b>

## SUMMARY RESOURCE OUTTURN

	Revenue Resource Limit £000's	Net Expenditure £000's	2022 Saving £000's	2021 Saving £000's
Core	427,471	427,434	37	78
Non Core	3,757	3,757	0	0
<b>Total</b>	<b>431,228</b>	<b>431,191</b>	<b>37</b>	<b>78</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 3. NOTES TO THE CASH FLOW STATEMENT

### 3a. Consolidated adjustments for non-cash transactions

	Note	2022 £000's	2021 £000's
<b>Expenditure Not Paid In Cash</b>			
Depreciation	8a	8,003	7,777
Amortisation	7	119	127
Depreciation of donated assets	8a	98	136
Impairments on property, plant and equipment charged to SoCNE	8a	(5,392)	100
Net revaluation on PPE charged to SoCNE		0	0
Reversal of impairments on PPE charged to SoCNE		0	0
Loss/(profit) on disposal of property, plant and equipment		0	152
Loss on re-measurement of non-current assets held for sale		0	0
Other non cash transactions - Covid Equipment - DOH		0	356
Other non cash transactions - PPE and Testing Kits		0	3,524
Increase in investment in Integrated Joint Board	SoCNE	(7,181)	(6,935)
<b>Total expenditure not paid In cash</b>	CFS	<u>(4,353)</u>	<u>5,237</u>

### 3b. Interest payable recognised in operating expenditure

PFI Finance lease charges allocated in the year	18	12,844	12,828
Provisions - Unwinding of discount		0	0
<b>Net interest payable</b>	CFS	<u>12,844</u>	<u>12,828</u>

### 3c. Consolidated movements in working capital

	Opening balances £000's	Closing balances £000's	2022 Net movement £000's	2021 Net movement £000's
<b>INVENTORIES</b>				
Balance Sheet	1,310	1,459		
Net decrease / (increase)			<u>(149)</u>	<u>199</u>
<b>TRADE AND OTHER RECEIVABLES</b>				
Due within one year	6,356	10,768		
Due after more than one year	28,907	20,589		
	<u>35,263</u>	<u>31,357</u>		
<b>Net decrease / (increase)</b>			<u>3,906</u>	<u>12,240</u>
<b>TRADE AND OTHER PAYABLES</b>				
Due within one year	52,165	76,820		
Due after more than one year	196,251	189,178		
Less: property, plant & equipment (capital) included in above	(537)	(240)		
Less: General Fund creditor included in above	(793)	(79)		
Less: lease and PFI creditors included in above	(202,066)	(195,764)		
	<u>45,020</u>	<u>69,915</u>		
<b>Net decrease / (increase)</b>			<u>24,895</u>	<u>15,508</u>
<b>PROVISIONS</b>				
Balance Sheet	45,078	37,736		
<b>Net decrease / (increase)</b>			<u>(7,342)</u>	<u>(8,722)</u>
<b>Net movement (decrease) / increase</b>			<u>21,310</u>	<u>19,225</u>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 4. OPERATING EXPENSES

4a. Staff Costs	Note	2022 £000's	2021 £000's
Medical and Dental		54,898	51,366
Nursing		96,860	95,295
Other Staff		75,830	71,438
<b>Total Board Staff Costs</b>	SoCNE	<u>227,588</u>	<u>218,099</u>

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

## 4b. Other operating expenditure

	2022 £000's	2021 £000's
<b>Independent Primary Care Services</b>		
General Medical Services	29,481	29,313
Pharmaceutical Services	1,594	1,351
General Dental Services	10,829	10,871
General Ophthalmic Services	2,829	2,944
<b>Total</b>	<u>44,733</u>	<u>44,479</u>
<b>Drugs and medical supplies</b>		
Drugs - Primary Care	40,209	40,356
- Secondary Care	21,529	20,522
PPE and Testing Kits	4,932	4,082
Medical Supplies	8,922	7,786
<b>Total</b>	<u>75,592</u>	<u>72,746</u>
<b>Other health care expenditure</b>		
Contribution to Integration Joint Board	384,214	373,952
Goods and services from other NHS Scotland Bodies	28,064	23,863
Goods and services from other UK NHS Bodies	3,163	2,120
Goods and services from private providers	2,818	3,128
Goods and services from voluntary organisations	1,253	1,297
Resource Transfer	23,753	32,517
Loss on disposal of asset	0	0
Other operating expenditure	52,644	55,852
Auditor's remuneration - statutory audit fee - Board	146	140
<b>Total</b>	<u>496,055</u>	<u>492,869</u>
<b>Total Endowment expenditure (adjusted for Intra Group transactions)</b>	<b>913</b>	<b>1,643</b>
<b>Total consolidated other health care expenditure</b>	<u>496,968</u>	<u>494,512</u>
<b>Total consolidated other operating expenditure</b>	<u>617,293</u>	<u>611,737</u>

The external auditors, Grant Thornton UK LLP also received remuneration as the auditors of Dumfries and Galloway Integration Joint Board.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 5. OPERATING INCOME

	Note	2022 £000's	2021 £000's
NHS Scotland Bodies		10,663	11,646
NHS Non-Scottish Bodies		1,149	705
Income from Scottish Government		2	2
Income from services commission by IJB		367,731	365,597
Patient charges for primary care		6,019	5,478
Donations		2,898	558
Profit on disposal of assets		0	0
Contributions in respect of clinical and medical negligence claims		(2,813)	(6,511)
Non NHS:			
Overseas patients (non reciprocal)		8	0
Other		7,138	6,042
Total Board income		392,795	383,517
Endowment Fund Income		528	693
<b>Consolidated Total Income</b>	SoCNE	<b>393,323</b>	<b>384,210</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 6. BOARD SEGMENTAL INFORMATION - CURRENT YEAR

	Acute & Diagnostics £000's	Community & Prescribing £000's	Mental Health £000's	Womens & Childrens £000's	Operating Services £000's	Corporate & Strategic £000's	Endowments £000's	IJB £000's	2022 £000's
Net operating cost	145,211	117,385	26,740	25,544	18,526	117,767	385	0	451,558
Total Assets	270,648	30,620	27,004	8,857	7,003	14,905	12,570	15,386	386,993
Total Liabilities	97,495	78,812	17,771	17,150	12,438	79,232	806	0	303,704
Total segment revenue	2,023	8,371	1,090	875	500	12,205	528	0	25,592
Impairment losses recognised in SOCNE	5,392	0	0	0	0	0	0	0	5,392
Depreciation and amortisation	6,561	556	626	176	142	159	0	0	8,220
Non-current assets held for sale	0	0	308	0	0	0	0	0	308
Additions to non-current assets (other than financial instruments and deferred tax assets) (i.e. capital expenditure)	4,887	414	466	131	106	118	0	0	6,122

## 6. SEGMENTAL INFORMATION - PRIOR YEAR

	Acute & Diagnostics £000's	Community & Prescribing £000's	Mental Health £000's	Womens & Childrens £000's	Operating Services £000's	Corporate & Strategic £000's	Endowments £000's	IJB £000's	2021 £000's
Net operating cost	132,511	121,806	26,403	24,033	18,079	114,909	950	0	438,691
Total Assets	259,443	31,869	26,607	7,177	6,613	14,647	12,254	8,205	366,815
Total Liabilities	87,813	80,716	17,496	15,926	11,980	78,400	1,163	0	293,494
Total segment revenue	3,092	7,432	964	827	468	370,734	693	0	384,210
Impairment losses recognised in SOCNE	0	0	100	0	0	0	0	0	100
Depreciation and amortisation	6,346	554	438	221	215	266	0	0	8,040
Non-current assets held for sale	0	0	308	0	0	0	0	0	308
Additions to non-current assets (other than financial instruments and deferred tax assets) (i.e. capital expenditure)	2,732	511	27	54	265	773	0	0	4,362



# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 7. INTANGIBLE ASSETS

	Note	Software Licenses £000's	Information Technology Software £000's	Assets under construction £000's	2022 £000's
<b>Cost or Valuation:</b>					
At 1st April 2021		268	1,006	0	1,274
Additions		0	0	455	455
Completions		21	434	(455)	0
Transfers		0	0	0	0
Disposals		0	0	0	0
<b>At 31st March 2022</b>		<b>289</b>	<b>1,440</b>	<b>0</b>	<b>1,729</b>
<b>Amortisation</b>					
At 1st April 2021		266	704	0	970
Provided during the year		3	116	0	119
Transfers		0	0	0	0
Disposals		0	0	0	0
<b>At 31st March 2022</b>		<b>269</b>	<b>820</b>	<b>0</b>	<b>1,089</b>
<b>Net Book Value at 1st April 2021</b>		<b>2</b>	<b>302</b>	<b>0</b>	<b>304</b>
<b>Net Book Value at 31st March 2022</b>	SoFP	<b>20</b>	<b>620</b>	<b>0</b>	<b>640</b>

## INTANGIBLE ASSETS - PRIOR YEAR

		Software Licenses £000's	Information Technology Software £000's	Assets under construction £000's	2021 £000's
<b>Cost or Valuation:</b>					
At 1st April 2020		266	1,006	0	1,272
Additions		0	0	2	2
Completions		2	0	(2)	0
Transfers		0	0	0	0
Disposals		0	0	0	0
<b>At 31st March 2021</b>		<b>268</b>	<b>1,006</b>	<b>0</b>	<b>1,274</b>
<b>Amortisation</b>					
At 1st April 2020		266	577	0	843
Provided during the year		0	127	0	127
Transfers		0	0	0	0
Disposals		0	0	0	0
<b>At 31st March 2021</b>		<b>266</b>	<b>704</b>	<b>0</b>	<b>970</b>
<b>Net Book Value at 1st April 2020</b>		<b>0</b>	<b>429</b>	<b>0</b>	<b>429</b>
<b>Net Book Value at 31st March 2021</b>		<b>2</b>	<b>302</b>	<b>0</b>	<b>304</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8(a). PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Land (incl under buildings) £000's	Buildings (excluding dwellings) £000's	Dwellings £000's	Transport Equipment £000's	Plant & Machinery £000's	Information Technology £000's	Furniture & Fittings £000's	Assets under Construction £000's	2022 £000's
<b>Cost or valuation</b>									
At 1st April 2021	7,330	289,014	3,438	159	24,942	10,700	555	2,871	339,009
Additions - purchased	0	0	0	0	0	0	0	5,667	5,667
Additions - donated	0	0	0	0	0	0	0	0	0
Completions	0	0	0	0	1,191	108	0	(1,299)	0
Revaluations	(341)	(1,234)	86	0	(1)	1	0	(3)	(1,492)
Impairment Charges	0	5,392	0	0	0	0	0	0	5,392
<b>At 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>159</b>	<b>26,132</b>	<b>10,809</b>	<b>555</b>	<b>7,236</b>	<b>348,576</b>
<b>Depreciation</b>									
At 1st April 2021	0	9,677	233	159	14,664	5,191	451	0	30,375
Provided during the year - purchased	0	4,869	181	0	2,017	907	29	0	8,003
Provided during the year - donated	0	42	0	0	56	0	0	0	98
Revaluations	0	(14,588)	(414)	0	0	1	2	0	(14,999)
Impairment Charges	0	0	0	0	0	0	0	0	0
<b>At 31st March 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>16,737</b>	<b>6,099</b>	<b>482</b>	<b>0</b>	<b>23,477</b>
Net Book Value at 1st April 2021	7,330	279,337	3,205	0	10,278	5,509	104	2,871	308,634
<b>Net Book Value at 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>0</b>	<b>9,395</b>	<b>4,710</b>	<b>73</b>	<b>7,236</b>	<b>325,099</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>118</b>		<b>135</b>						
<b>Asset financing:</b>									
Owned - purchased	6,989	75,190	3,524	0	9,270	4,710	73	7,236	106,992
Owned - donated	0	1,972	0	0	125	0	0	0	2,097
On-balance sheet PFI/NPD contracts	0	216,010	0	0	0	0	0	0	216,010
<b>Net Book Value at 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>0</b>	<b>9,395</b>	<b>4,710</b>	<b>73</b>	<b>7,236</b>	<b>325,099</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8(a). PROPERTY, PLANT AND EQUIPMENT - BOARD

	Land (incl under buildings) £000's	Buildings (excluding dwellings) £000's	Dwellings £000's	Transport Equipment £000's	Plant & Machinery £000's	Information Technology £000's	Furniture & Fittings £000's	Assets under Construction £000's	2022 £000's
<b>Cost or valuation</b>									
At 1st April 2021	7,330	289,014	3,438	159	24,915	10,700	555	2,871	338,982
Additions - purchased	0	0	0	0	0	0	0	5,667	5,667
Additions - donated	0	0	0	0	0	0	0	0	0
Completions	0	0	0	0	1,191	108	0	(1,299)	0
Revaluations	(341)	(1,234)	86	0	(1)	1	0	(3)	(1,492)
Impairment Charges	0	5,392	0	0	0	0	0	0	5,392
<b>At 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>159</b>	<b>26,105</b>	<b>10,809</b>	<b>555</b>	<b>7,236</b>	<b>348,549</b>
<b>Depreciation</b>									
At 1st April 2021	0	9,677	233	159	14,664	5,191	451	0	30,375
Provided during the year - purchased	0	4,869	181	0	2,017	907	29	0	8,003
Provided during the year - donated	0	42	0	0	56	0	0	0	98
Revaluations	0	(14,588)	(414)	0	0	1	2	0	(14,999)
Impairment Charges	0	0	0	0	0	0	0	0	0
<b>At 31st March 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>16,737</b>	<b>6,099</b>	<b>482</b>	<b>0</b>	<b>23,477</b>
Net Book Value at 1st April 2021	7,330	279,337	3,205	0	10,251	5,509	104	2,871	308,607
<b>Net Book Value at 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>0</b>	<b>9,368</b>	<b>4,710</b>	<b>73</b>	<b>7,236</b>	<b>325,072</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>118</b>		<b>135</b>						
<b>Asset financing:</b>									
Owned - purchased	6,989	75,190	3,524	0	9,243	4,710	73	7,236	106,965
Owned - donated	0	1,972	0	0	125	0	0	0	2,097
On-balance sheet PFI/NPD contracts	0	216,010	0	0	0	0	0	0	216,010
<b>Net Book Value at 31st March 2022</b>	<b>6,989</b>	<b>293,172</b>	<b>3,524</b>	<b>0</b>	<b>9,368</b>	<b>4,710</b>	<b>73</b>	<b>7,236</b>	<b>325,072</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8(a). PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED PRIOR YEAR

	Land (incl under buildings) £000's	Buildings (excluding dwellings) £000's	Dwellings £000's	Transport Equipment £000's	Plant & Machinery £000's	Information Technology £000's	Furniture & Fittings £000's	Assets under Construction £000's	2021 £000's
<b>Cost or valuation</b>									
At 1st April 2020	7,875	288,909	2,881	159	24,409	9,993	555	1,727	336,508
Additions - purchased	0	0	0	0	0	0	0	4,360	4,360
Completions	0	210	565	0	1,734	707	0	(3,216)	0
Transfers (to)/from non-current assets held for sale	(260)	(40)	(8)	0	0	0	0	0	(308)
Impairment Charges	(60)	(40)	0	0	0	0	0	0	(100)
Disposals - purchased	(225)	(25)	0	0	(1,195)	0	0	0	(1,445)
Disposals - donated	0	0	0	0	(6)	0	0	0	(6)
<b>At 31st March 2021</b>	<b>7,330</b>	<b>289,014</b>	<b>3,438</b>	<b>159</b>	<b>24,942</b>	<b>10,700</b>	<b>555</b>	<b>2,871</b>	<b>339,009</b>
<b>Depreciation</b>									
At 1st April 2020	0	4,759	116	159	13,832	4,375	420	0	23,661
Provided during the year - purchased	0	4,878	117	0	1,935	816	31	0	7,777
Provided during the year - donated	0	42	0	0	94	0	0	0	136
Disposals - purchased	0	(2)	0	0	(1,191)	0	0	0	(1,193)
Disposals - donated	0	0	0	0	(6)	0	0	0	(6)
<b>At 31st March 2021</b>	<b>0</b>	<b>9,677</b>	<b>233</b>	<b>159</b>	<b>14,664</b>	<b>5,191</b>	<b>451</b>	<b>0</b>	<b>30,375</b>
Net Book Value at 1st April 2020	7,875	284,150	2,765	0	10,577	5,618	135	1,727	312,847
<b>Net Book Value at 31st March 2021</b>	<b>7,330</b>	<b>279,337</b>	<b>3,205</b>	<b>0</b>	<b>10,278</b>	<b>5,509</b>	<b>104</b>	<b>2,871</b>	<b>308,634</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>1,738</b>		<b>0</b>						
<b>Asset financing:</b>									
Owned - purchased	7,330	69,335	3,205	0	10,097	5,509	104	2,871	98,451
Owned - donated	0	1,394	0	0	181	0	0	0	1,575
On-balance sheet PFI/NPD contracts	0	208,608	0	0	0	0	0	0	208,608
<b>Net Book Value at 31st March 2021</b>	<b>7,330</b>	<b>279,337</b>	<b>3,205</b>	<b>0</b>	<b>10,278</b>	<b>5,509</b>	<b>104</b>	<b>2,871</b>	<b>308,634</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8(a). PROPERTY, PLANT AND EQUIPMENT - BOARD PRIOR YEAR

	Land (incl under buildings) £000's	Buildings (excluding dwellings) £000's	Dwellings £000's	Transport Equipment £000's	Plant & Machinery £000's	Information Technology £000's	Furniture & Fittings £000's	Assets under Construction £000's	2021 £000's
<b>Cost or valuation</b>									
At 1st April 2020	7,875	288,909	2,881	159	24,382	9,993	555	1,727	336,481
Additions - purchased	0	0	0	0	0	0	0	4,360	4,360
Completions	0	210	565	0	1,734	707	0	(3,216)	0
Transfers (to)/from non-current assets held for sale	(260)	(40)	(8)	0	0	0	0	0	(308)
Impairment Charges	(60)	(40)	0	0	0	0	0	0	(100)
Disposals - purchased	(225)	(25)	0	0	(1,195)	0	0	0	(1,445)
Disposals - donated	0	0	0	0	(6)	0	0	0	(6)
<b>At 31st March 2021</b>	<b>7,330</b>	<b>289,014</b>	<b>3,438</b>	<b>159</b>	<b>24,915</b>	<b>10,700</b>	<b>555</b>	<b>2,871</b>	<b>338,982</b>
<b>Depreciation</b>									
At 1st April 2020	0	4,759	116	159	13,832	4,375	420	0	23,661
Provided during the year - purchased	0	4,878	117	0	1,935	816	31	0	7,777
Provided during the year - donated	0	42	0	0	94	0	0	0	136
Disposals - purchased	0	(2)	0	0	(1,191)	0	0	0	(1,193)
Disposals - donated	0	0	0	0	(6)	0	0	0	(6)
<b>At 31st March 2021</b>	<b>0</b>	<b>9,677</b>	<b>233</b>	<b>159</b>	<b>14,664</b>	<b>5,191</b>	<b>451</b>	<b>0</b>	<b>30,375</b>
Net Book Value at 1st April 2020	7,875	284,150	2,765	0	10,550	5,618	135	1,727	312,820
<b>Net Book Value at 31st March 2021</b>	<b>7,330</b>	<b>279,337</b>	<b>3,205</b>	<b>0</b>	<b>10,251</b>	<b>5,509</b>	<b>104</b>	<b>2,871</b>	<b>308,607</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>1,738</b>		<b>32</b>						
<b>Asset financing:</b>									
Owned - purchased	7,330	69,335	3,205	0	10,070	5,509	104	2,871	98,424
Owned - donated	0	1,394	0	0	181	0	0	0	1,575
On-balance sheet PFI/NPD contracts	0	208,608	0	0	0	0	0	0	208,608
<b>Net Book Value at 31st March 2021</b>	<b>7,330</b>	<b>279,337</b>	<b>3,205</b>	<b>0</b>	<b>10,251</b>	<b>5,509</b>	<b>104</b>	<b>2,871</b>	<b>308,607</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8(b). ASSETS HELD FOR SALE

	Note	2022 £000's	2021 £000's
<b>At 1st April 2021</b>		<b>308</b>	<b>0</b>
Transfers (to)/from property, plant and equipment	8a	0	308
Gain or losses recognised on remeasurement of non-current assets held for sale		0	0
Disposals for non-current assets held for sale		0	0
<b>At 31st March 2022</b>		<b>308</b>	<b>308</b>

## 8(c). PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

		2022 £000's	2021 £000's
<b>Net book value of tangible fixed assets at 31 March</b>			
Purchased		322,975	307,032
Donated		2,097	1,575
Net book value of Board assets		325,072	308,607
Net book value of Endowment Fund assets		27	27
<b>Total</b>	SoFP	<b>325,099</b>	<b>308,634</b>
Net book value related to land valued at open market value at 31 March		118	1,738
Net book value related to buildings valued at open market value at 31 March		135	32
<b>Total value of assets held under:</b>			
PFI and PPP Contracts		216,010	208,608
		<b>216,010</b>	<b>208,608</b>
<b>Total depreciation charged in respect of assets held under:</b>			
PFI and PPP contracts		3,244	3,244
		<b>3,244</b>	<b>3,244</b>

All land and buildings were revalued by an independent valuer, Avison Young, as at 31/03/2022 on the basis of fair value (market value or depreciated replacement costs where appropriate). The valuations have been prepared having regard to the contents of the RICS Valuation Global Standards 2022 (the Red Book) and specifically the appropriate bases of valuation for International Financial Reporting Standards (IFRS).

The net impact of the revaluation was an increase of £13.5m (2020-21: indexation 0%) which was credited to the revaluation reserve. Impairment of £5.4m (2020-21: indexation 0%) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 8d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2022 £000's	2021 £000's
<b>EXPENDITURE</b>			
Acquisition of Intangible Assets	7	455	2
Acquisition of Property, plant and equipment	8a	5,667	4,360
Donated Asset Additions	8a	0	0
<b>Gross Capital Expenditure</b>		<b>6,122</b>	<b>4,362</b>
<b>INCOME</b>			
Net book value of disposal of Property, plant and equipment	8a	0	252
Value of disposal of Non-Current Assets held for sale	8b	0	0
Donated Asset Income		0	0
<b>Capital Income</b>		<b>0</b>	<b>252</b>
<b>Net Capital Expenditure</b>		<b>6,122</b>	<b>4,110</b>
<b>Summary of Capital Resource Outturn</b>			
Core Capital Expenditure included above		6,122	2,851
Core Capital Resource Limit		6,122	2,914
<b>Saving against Core Capital Resource Limit</b>		<b>0</b>	<b>63</b>

## 9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2022 £000's	2021 £000's
<b>Dumfries &amp; Galloway Integration Joint Board</b>		
Balance brought forward at 1 April	8,205	1,270
Increase in investment during year	7,181	6,935
<b>Balance carried forward at 31 March</b>	<b>15,386</b>	<b>8,205</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 10. TRADE AND OTHER RECEIVABLES

	2022 £000's	2021 £000's
<b>Receivables due within one year</b>		
<b>NHSScotland</b>		
Scottish Government Health & Social Care Directorate	32	67
Boards	547	550
<b>Total NHSScotland Receivables</b>	<b>579</b>	<b>617</b>
NHS Non-Scottish Bodies	116	200
VAT recoverable	749	618
Prepayments	3,825	2,705
Accrued income	1,433	1,363
Other Receivables	3,838	502
Other Public Sector Bodies	78	121
<b>Total Receivables due within one year</b>	<b>10,618</b>	<b>6,126</b>
<b>Total Endowment Receivables due within one year (adjusted for Intra Group receivables)</b>	<b>150</b>	<b>230</b>
<b>Total Receivables due within one year</b>	<b>10,768</b>	<b>6,356</b>
<b>Receivables due after more than one year</b>		
<b>NHSScotland</b>		
Reimbursement of Provisions	20,589	28,907
<b>Total Receivables due after more than one year</b>	<b>20,589</b>	<b>28,907</b>
<b>Total Board Receivables</b>	<b>31,207</b>	<b>35,033</b>
<b>Total Consolidated Receivables</b>	<b>31,357</b>	<b>35,263</b>
The total receivables figure above includes a provision for impairments of :	<b>74</b>	<b>390</b>
Movements on the provision for impairment of debtors are as follows:		
At 1st April	390	493
Provision for impairment	33	317
Receivables written off during the year as uncollectable	(6)	(30)
Unused amounts reversed	(343)	(390)
At 31st March	<b>74</b>	<b>390</b>
The ageing of these receivables is as follows:		
3 to 6 months past due	10	278
Over 6 months past due	64	112
	<b>74</b>	<b>390</b>



# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 11. AVAILABLE FOR SALE FINANCIAL ASSETS

	2022 £000's	2021 £000's
<b>At 1st April</b>	<b>10,527</b>	8,461
Additions	1,411	6,979
Disposals	(1,136)	(7,092)
Revaluation surplus/(deficit) transferred to equity	1,057	2,179
<b>At 31st March</b>	<b>11,859</b>	10,527
<b>Total Board Available for Sale Financial Assets</b>	<b>0</b>	0
<b>Total Endowments Available for Sale Financial Assets</b>	<b>11,859</b>	10,527
<b>Total Consolidated Available for Sale Financial Assets</b>	<b>11,859</b>	10,527

Investments are managed by Aberdeen Standard Capital who are the appointed investment advisors for the funds with and are registered in the name abdrn (which is their current brand name) on behalf of the Dumfries and Galloway Health Board Endowment Fund.

The current investment objective is to maximise total return with the investment objective of the charity to at least maintain real value of assets whilst generating a stable and sustainable return to fund grant making, with a medium degree of risk. This is under review by the Trustees with a workshop scheduled with the advisors to agree revised strategy. In practice, the Trustees select only those investments which they consider appropriate for a NHS endowment fund.

There are no ethical or geographical restrictions with regard to investment other than the exclusion of direct investment in companies primarily involved in the manufacture of alcohol, tobacco products, gambling, armaments, land mines/cluster bombs or organisations that provide short term, high interest loans (also known as pay-day loan companies).

Investment performance is monitored by the Trustees by reviewing regular reports from the investment managers.

## 12. CASH AND CASH EQUIVALENTS

	As at 01/04/21 £000's	Cash Flow £000's	At 31/03/22 £000's	At 31/03/21 £000's
Government Banking Service account balance	759	(713)	46	759
Cash at bank and in hand	34	(1)	33	34
<b>Total cash - balance sheet</b>	<b>793</b>	<b>(714)</b>	<b>79</b>	793
Overdrafts	0	0	0	0
<b>Total Board cash - cash flow statement</b>	<b>793</b>	<b>(714)</b>	<b>79</b>	793
<b>Total Endowment Fund Cash</b>	1,471	(937)	534	1,471
<b>Total Consolidated Cash</b>	<b>2,264</b>	<b>(1,651)</b>	<b>613</b>	2,264

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

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

Notes to the Accounts

## 13. TRADE AND OTHER PAYABLES

	2022 £000's	2021 £000's
<b>Payables due within one year</b>		
<b>NHSScotland</b>		
Scottish Government Health & Social Care Directorate	0	0
Boards	1,836	2,014
<b>Total NHSScotland Payables</b>	<b>1,836</b>	<b>2,014</b>
 NHS Non-Scottish Bodies	 923	 918
General Fund Payable	79	793
FHS Practitioners	11,296	5,265
Trade Payables	581	25
Accruals	16,720	14,918
Deferred income	1,427	343
Net obligations under PPP/PFI/NPD Contracts	6,674	6,324
Income tax and social security	4,391	4,108
Superannuation	3,491	3,396
Holiday Pay Accrual	3,057	2,579
Other significant payables - Pay award accrual	0	2,078
Other payables	543	111
Other payables - IJB	25,084	8,601
<b>Total Payables due within one year</b>	<b>76,102</b>	<b>51,473</b>
 <b>Total Endowment Creditors due within one year (adjusted for Intra Group payables)</b>	 <b>718</b>	 <b>692</b>
<b>Total Payables due within one year</b>	<b>76,820</b>	<b>52,165</b>
 <b>Payables due after more than one year</b>		
Net obligations under PPP/PFI/NPD Contracts due within 2 years	7,068	6,683
Net obligations under PPP/PFI/NPD Contracts due after 2 years but within 5 years	21,898	21,269
Net obligations under PPP/PFI/NPD Contracts due after 5 years	160,124	167,790
Other payables	0	38
<b>Total Payables due after more than one year</b>	<b>189,090</b>	<b>195,780</b>
 <b>Total Endowment Creditors due within one year (adjusted for Intra Group payables)</b>	 <b>88</b>	 <b>471</b>
<b>Total Payables due within one year</b>	<b>189,178</b>	<b>196,251</b>
 <b>Total Board Payables</b>	 <b>265,192</b>	 <b>247,253</b>
<b>Total Consolidated Payables</b>	<b>265,998</b>	<b>248,416</b>

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

### 14a. PROVISIONS

	Pensions and other similar obligations £000's	Clinical & Medical £000's	Participation in CNORIS £000's	Other (Non- Endowment) £000's	Total at 31 March 2022 £000's	Total at 31 March 2021 £000's
<b>At 1st April 2021</b>	3,999	28,582	12,497	0	<b>45,078</b>	53,800
Arising during the year	115	3,254	912	142	<b>4,423</b>	4,498
Utilised during the year	(252)	(5,207)	0	0	<b>(5,459)</b>	(2,770)
Unwinding of discount	0	0	0	0	<b>0</b>	0
Reversed unutilised	(115)	(5,617)	(574)		<b>(6,306)</b>	(10,450)
<b>At 31st March 2022</b>	<b>3,747</b>	<b>21,012</b>	<b>12,835</b>	<b>142</b>	<b>37,736</b>	<b>45,078</b>

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

### Analysis of expected timing of discounted flows

	Pensions and other similar obligations £000's	Clinical & Medical £000's	Participation in CNORIS £000's	Other (Non- Endowment) £000's	Total at 31 March 2022 £000's	Total at 31 March 2021 £000's
Payable in one year	248	3,499	3,201	142	<b>7,090</b>	14,447
Payable between 2-5 years	1,024	17,513	7,800	0	<b>26,337</b>	26,180
Payable between 6-10 years	979	0	664	0	<b>1,643</b>	1,688
Thereafter	1,496	0	1,170	0	<b>2,666</b>	2,763
<b>At 31 March 2022</b>	<b>3,747</b>	<b>21,012</b>	<b>12,835</b>	<b>142</b>	<b>37,736</b>	<b>45,078</b>

### 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 1.30% (2020/21 negative 1.03%) 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 25 years.

### Clinical & 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. 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\*).

### Participation in CNORIS

The Board holds a provision for Participation in the CNORIS scheme which recognises that CNORIS is a shared risk scheme for NHS Scotland bodies. This provision recognises the liability for future payments that it is probable that the Board will incur based on their share of the overall CNORIS scheme liability for NHS Scotland. Details of the CNORIS provisions are at Note 14b.

### Other (Non-Endowment)

The Board retains provisions in respect of other long term liabilities including all non medical claims notified through the Scottish NHS Central Legal Office

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

## Notes to the Accounts

### 14b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

	Note	2022 £000's	2021 £000's
Provision recognising individual claims against the NHS Board as at 31 March	14a	21,012	28,582
Associated CNORIS receivable at 31 March	10	(20,589)	(28,907)
Provision recognising the NHS Board's liability from participating in the scheme at 31 March	14a	12,835	12,497
<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>13,258</b>	<b>12,172</b>

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants, i.e. 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. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

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

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

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above.

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

### 15. CONTINGENT LIABILITIES / ASSETS

#### CONTINGENT LIABILITIES

	2022 £000's	2021 £000's
The following contingent liabilities have not been provided for in the Accounts:		
Clinical and medical compensation payments	5,622	6,249

#### CONTINGENT ASSETS

	2022 £000's	2021 £000's
The following contingent assets have not been recognised in the Accounts:		
Reimbursement of Contingent Liability for Clinical and Medical Negligence claims, under CNORIS	5,133	5,520

# Dumfries and Galloway NHS Board

Annual Accounts for the year ended 31 March 2022

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## 16. COMMITMENTS

### Capital Commitments

The Board has the following Capital Commitments which have not been included for in the accounts:

	2022 £000's	2021 £000's
<b>Contracted</b>		
Mountainhall refurbishment projects	637	115
Acute Services Redevelopment Enabling Works	0	71
Replacement, Development, and Contingency Programme	915	289
<b>Total</b>	<b>1,552</b>	<b>475</b>
<b>Authorised but not Contracted</b>		
Mountainhall refurbishment projects	2,363	2,685
Acute Services Redevelopment Enabling Works	2,500	2,429
Replacement, Development, and Contingency Programme	1,734	2,186
<b>Total</b>	<b>6,597</b>	<b>7,300</b>

## 17. COMMITMENTS UNDER LEASES

### Operating Leases

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

	2022 £000's	2021 £000's
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	274	272
Later than one year, not later than two years	275	274
Later than two year, not later than five years	821	822
Later than five years	1,129	1,403
<b>Other</b>		
Not later than one year	611	614
Later than one year, not later than two years	291	403
Later than two year, not later than five years	161	274
Later than five years	0	0
	<b>3,562</b>	<b>4,062</b>
<b>Amounts charged to Operating Costs in the year were:</b>		
Hire of equipment (including vehicles)	808	959
Other operating leases	259	259
<b>Total</b>	<b>1,067</b>	<b>1,218</b>

# Dumfries and Galloway NHS Board

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## 18. COMMITMENTS UNDER PFI CONTRACTS - ON BALANCE SHEET

The Board has one contract financed under a Public Finance Initiative (PFI) and one under the Non Profit Distributing (NPD). The NPD funding model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland.

The previous maternity and day surgery unit in Dumfries is included on the balance sheet (land and buildings) as a PFI at a valuation of £6.402m as at 31 March 2022. The contract ends in January 2032 however following the successful migration of these services to the new DGRI, the future planning arrangements for this building are now underway. This building is now referred to as Mountainhall.

The Board's new District General Hospital DGRI is funded under NPD. The land and buildings are included on the balance sheet at a valuation of £211.914m as at 31 March 2022 and the contract ends in September 2042.

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:

	Mountainhall 2022	DGRI 2022	Total 2022 £000's	Total 2021 £000's
<b>Gross Minimum Lease Payments</b>				
Rentals due within 1 year	1,728	17,118	<b>18,846</b>	18,863
Due within 1 to 2 years	2,326	17,090	<b>19,416</b>	18,710
Due within 2 to 5 years	8,386	50,072	<b>58,458</b>	58,321
Due after 5 years	11,309	239,646	<b>250,955</b>	268,736
<b>Total</b>	<b>23,749</b>	<b>323,926</b>	<b>347,675</b>	<b>364,630</b>
<b>Less Interest Element</b>				
Rentals due within 1 year	(1,084)	(11,088)	<b>(12,172)</b>	(12,539)
Due within 1 to 2 years	(1,622)	(10,726)	<b>(12,348)</b>	(12,027)
Due within 2 to 5 years	(6,709)	(29,851)	<b>(36,560)</b>	(37,052)
Due after 5 years	(7,832)	(82,999)	<b>(90,831)</b>	(100,946)
<b>Total</b>	<b>(17,247)</b>	<b>(134,664)</b>	<b>(151,911)</b>	<b>(162,564)</b>
<b>Present value of minimum lease payments</b>				
Rentals due within 1 year	644	6,030	<b>6,674</b>	6,324
Due within 1 to 2 years	704	6,364	<b>7,068</b>	6,683
Due within 2 to 5 years	1,677	20,221	<b>21,898</b>	21,269
Due after 5 years	3,477	156,647	<b>160,124</b>	167,790
<b>Total</b>	<b>6,502</b>	<b>189,262</b>	<b>195,764</b>	<b>202,066</b>

Amounts charged to the Operating Cost Statement in respect on balance sheet PFI transactions comprises;

Interest charges	<b>12,844</b>	12,828
Service charges	<b>2,778</b>	3,161
Principal Repayment	<b>6,317</b>	5,467
Other charges	<b>0</b>	862
<b>Total</b>	<b>21,939</b>	<b>22,318</b>

# Dumfries and Galloway NHS Board

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## 19. PENSION COSTS

NHS Dumfries & Galloway 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. The valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions.

NHS Dumfries & Galloway has no liability for other employers obligations to the multi-employer scheme.

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

The scheme is an unfunded multi-employer defined benefit scheme

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Dumfries & Galloway 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 was 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 from 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 the current employer contribution rates would stay in force until 1 April 2024.

NHS Dumfries & Galloway's level of participation in the scheme is 2.35% 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 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

# Dumfries and Galloway NHS Board

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## 19. PENSION COSTS (Continued)

### The existing NHS Superannuation Scheme (Scotland)

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.pensions.gov.uk](http://www.pensions.gov.uk).

### National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), 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 <sup>st</sup> March 2013	1%	1%	2%
1 <sup>st</sup> October 2018	3%	2%	5%
1 <sup>st</sup> 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.

### The following are included within the accounts:

	2022 £000's	2021 £000's
Pension cost charge for the year	29,720	27,873
Additional costs arising from early retirement	48	54
Provisions/liabilities/pre-payments included in the Statement of Financial Position	385	449



# Dumfries and Galloway NHS Board

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## 20(a). FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Financial assets at amortised cost £000's	Financial assets at fair value through profit/loss £000's	Consolidated Total at 31 March 2022 £000's	Consolidated Total at 31 March 2021 £000's
<b>Assets</b>					
Investments	11		11,859	<b>11,859</b>	10,527
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	10	5,615		<b>5,615</b>	2,416
Cash and cash equivalents	12	613		<b>613</b>	2,264
<b>As at 31 March 2022</b>		<b>6,228</b>	<b>11,859</b>	<b>18,087</b>	15,207
Endowment totals included above (adjusted for Intra Group balances)					
		<b>684</b>	<b>11,859</b>	<b>12,543</b>	12,228

		Financial liabilities at amortised cost £000's	Total at 31 March 2022 £000's	Total at 31 March 2021 £000's
<b>Liabilities</b>				
PFI Liabilities	13	195,764	<b>195,764</b>	202,066
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	13	59,089	<b>59,089</b>	36,489
<b>As at 31 March 2022</b>		<b>254,853</b>	<b>254,853</b>	238,555
Endowment totals included above (adjusted for Intra Group balances)				
		<b>1,078</b>	<b>1,078</b>	1,163

## 20(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 each of the below:

### a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

# Dumfries and Galloway NHS Board

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## 20(b). FINANCIAL RISK FACTORS (Continued)

### b) Liquidity Risk

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the 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.

	Less than 1 Year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 Years £000's
<b>At 31 March 2022</b>				
PFI Liabilities	25,521	26,484	80,355	411,068
Trade and other payables excluding statutory liabilities	54,937	16		
<b>Total</b>	<b>80,458</b>	<b>26,500</b>	<b>80,355</b>	<b>411,068</b>
	Less than 1 Year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 Years £000's
<b>At 31 March 2021</b>				
PFI Liabilities	25,188	25,392	79,590	436,528
Trade and other payables excluding statutory liabilities	32,709	38	0	0
<b>Total</b>	<b>57,897</b>	<b>25,430</b>	<b>79,590</b>	<b>436,528</b>

### c) Market Risk

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

#### i) Cash flow and fair value interest rate risk

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

#### ii) Foreign Currency Risk

The Board is not exposed to any foreign currency risk. The consolidated group does have some exposure to foreign

#### iii) Price risk

The NHS Board is not exposed to equity security price risk. The Endowment Charity has £11.859m in investments which are managed by Aberdeen Standard Capital. All investments are classified as listed investments.

## 20(c). FINANCIAL INSTRUMENTS - 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 approximate their fair value.

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

# Dumfries and Galloway NHS Board

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### 21. RELATED PARTY TRANSACTIONS

The Board had transactions with other government departments and other central government bodies during the year. These transactions were mainly with HM Revenue and Customs, SPPA and other Health Boards.

Transactions and balances with Dumfries & Galloway Integration Joint Board are disclosed separately in the notes to the accounts.

The Board consider the following to be related party transactions during the year:

#### Related Party - Dumfries and Galloway Council

NHS Dumfries and Galloway had the following transactions in 2021-22:

Income: £122,938

Expenditure: £26,714,814

Year End Balances - creditor: £15,404

Endowment Fund had the following transactions in 2021-22:

Expenditure: £12,494

Details of Related Party: Councillor A Fergusson, Non Executive Director was also an elected member of Dumfries and Galloway Council.

#### Related Party - Wilsons (Dumfries)

NHS Dumfries and Galloway had the following transactions in 2021-22:

Expenditure: £6,239

Endowment Fund had the following transactions in 2021-22:

Expenditure: £992

Details of Related Party: Dr L Douglas, Non Executive Director and Endowment Trustee has a close family member who has control or joint control of Wilsons (Dumfries).

#### Related Party - The Crichton Trust

NHS Dumfries and Galloway had the following transactions in 2021-22:

Income: £204,509

Details of Related Party: Dr L Douglas, Non Executive Director and Endowment Trustee is a Director at The Crichton Trust

#### Related Party - NHS Lanarkshire

NHS Dumfries and Galloway had the following transactions in 2021-22:

Income: £613,729

Expenditure: £1,685,579

Year End Balances - creditor: £176,081

Details of Related Party: Mr J Ace, Executive Director has a close family member who is an Executive Director of NHS Lanarkshire.

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## 21. RELATED PARTY TRANSACTIONS (continued)

### Related Party - Liverpool University Hospitals NHS Foundation Trust

NHS Dumfries and Galloway had the following transactions in 2021-22:

Expenditure: £8,085

Details of Related Party: Ms M Caig, Non Executive Director has a close family member who is a Director at Liverpool University Hospitals NHS Foundation Trust.

### Related Party - Dumfries and Galloway Citizens Advice Service

NHS Dumfries and Galloway had the following transactions in 2021-22:

Expenditure: £367

Details of Related Party: Ms M Caig, Non Executive Director is a Trustee for Dumfries and Galloway Citizens Advice Service

### Related Party - Third Sector Dumfries and Galloway

NHS Dumfries and Galloway had the following transactions in 2021-22:

Expenditure: £87,000

Details of Related Party: Ms K Dams, Non Executive Director and Endowments Trustee, is a Board Member for Third Sector Dumfries and Galloway

### Related Party - DG Voice

NHS Dumfries and Galloway had the following transactions in 2021-22:

Expenditure: £4,590

Details of Related Party: Ms K Dams, Non Executive Director and Endowments Trustee, is the Chief Executive Officer for DG Voice

## 22. THIRD PARTY ASSETS

The following assets relate to monetary items held on behalf of patients, 'Patients Funds', and are audited.

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

	As at 1 April 2021	Gross Inflows	Gross Outflows	As at 31 March 2022	2021
	£000's	£000's	£000's	£000's	£000's
Monetary amounts such as bank balances and monies on deposit	18	42	(46)	14	18
<b>Total Monetary Assets</b>	<b>18</b>	<b>42</b>	<b>(46)</b>	<b>14</b>	<b>18</b>

# Dumfries and Galloway NHS Board

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## 23a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	Note	2022 Board £000's	2022 Endowment £000's	2022 IJB £000's	2022 Consolidated £000's	2021 Consolidated £000's
Staff costs	4a	227,588	0	0	227,588	218,099
Other operating expenditure	4b					
Independent Primary Care Services		44,733	0	0	44,733	44,479
Drugs and medical supplies		75,592	0	0	75,592	72,746
Other health care expenditure		496,055	913	0	496,968	494,512
<b>Gross expenditure for the year</b>		<b>843,968</b>	<b>913</b>	<b>0</b>	<b>844,881</b>	<b>829,836</b>
Less: Operating Income	5	(392,795)	(528)	0	(393,323)	(384,210)
Integration Joint Board accounted for on an equity basis		0	0	(7,181)	(7,181)	(6,935)
<b>Net Expenditure for the year</b>		<b>451,173</b>	<b>385</b>	<b>(7,181)</b>	<b>444,377</b>	<b>438,691</b>

# Dumfries and Galloway NHS Board

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## 23b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2022 Board £000's	2022 Endowments £000's	2022 IJB £000's	2022 Consolidated £000's	2021 Consolidated £000's
<b>Non-current assets:</b>						
Property, plant and equipment	8c	325,072	27	0	325,099	308,635
Intangible assets	7	640	0	0	640	304
Financial assets: - Investments in associates and joint ventures	9	0	0	15,386	15,386	8,205
- Trade and other receivables	10	20,589	0	0	20,589	28,907
		<b>346,301</b>	<b>27</b>	<b>15,386</b>	<b>361,714</b>	346,051
<b>Current Assets:</b>						
Inventories		1,459	0	0	1,459	1,309
Financial assets: - Trade and other receivables	10	10,618	150	0	10,768	6,356
- Cash and cash equivalents	12	79	534	0	613	2,264
Available for sale financial assets	11	0	11,859	0	11,859	10,527
Assets classified as held for sale	8b	308	0	0	308	308
		<b>12,464</b>	<b>12,543</b>	<b>0</b>	<b>25,007</b>	20,764
<b>Current liabilities</b>						
Provisions	14a	(7,090)		0	(7,090)	(14,447)
Financial liabilities: - Trade and other payables	13	(76,102)	(718)	0	(76,820)	(52,165)
		<b>(83,192)</b>	<b>(718)</b>	<b>0</b>	<b>(83,910)</b>	(66,612)
<b>Total Assets less Current Liabilities</b>		<b>275,573</b>	<b>11,852</b>	<b>15,386</b>	<b>302,811</b>	300,203
<b>Non-current liabilities</b>						
Provisions	14a	(30,646)	0	0	(30,646)	(30,631)
Financial liabilities: - Trade and other payables	13	(189,090)	(88)	0	(189,178)	(196,251)
		<b>(219,736)</b>	<b>(88)</b>	<b>0</b>	<b>(219,824)</b>	(226,882)
<b>Total Assets less Total Liabilities</b>		<b>55,837</b>	<b>11,764</b>	<b>15,386</b>	<b>82,987</b>	73,321
<b>Taxpayers' Equity</b>						
General fund		3,596	0	0	3,596	15,290
Revaluation reserve		52,241	0	0	52,241	38,734
Other reserves		0	0	15,386	15,386	8,205
Funds Held on Trust		0	11,764	0	11,764	11,092
<b>Total taxpayers' equity</b>		<b>55,837</b>	<b>11,764</b>	<b>15,386</b>	<b>82,987</b>	73,321

# Dumfries and Galloway NHS Board

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## 23c. CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	2022 Board £000's	2022 Endowments £000's	2022 IJB £000's	2022 Consolidated £000's	2021 Consolidated £000's
<b>Cash flows from operating activities</b>						
Net expenditure		(451,173)	(385)	7,181	(444,377)	(438,691)
Adjustments for non-cash transactions	3a	2,828	0	(7,181)	(4,353)	5,237
Add back: interest payable recognised in net operating expenditure	3b	12,844	0	0	12,844	12,828
Investment income		0	(204)	0	(204)	(158)
Movements in working capital	3c	21,586	(276)	0	21,310	19,226
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(413,915)</b>	<b>(865)</b>	<b>0</b>	<b>(414,780)</b>	<b>(401,558)</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	8d	(5,964)	0	0	(5,964)	(3,891)
Purchase of intangible assets		(455)	0	0	(455)	(2)
Investment Additions		0	(1,411)	0	(1,411)	(6,979)
Proceeds of disposal of property, plant and equipment	11	0	0	0	0	100
Receipts from sale of investments		0	1,136	0	1,136	7,092
Interest and dividends received		0	204	0	204	158
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(6,419)</b>	<b>(71)</b>	<b>0</b>	<b>(6,490)</b>	<b>(3,522)</b>
<b>Cash flows from financing activities</b>						
Funding		439,479	0	0	439,479	423,386
Movement in general fund working capital		(714)	0	0	(714)	718
<b>Cash drawn down</b>		<b>438,765</b>	<b>0</b>	<b>0</b>	<b>438,765</b>	<b>424,104</b>
Capital element of payments in respect of finance leases and on-balance sheet PFI		(6,302)	0	0	(6,302)	(5,464)
Interest paid	3b	0	0	0	0	0
PFI Contracts: Interest element of finance leases and on-balance sheet PFI	3b	(12,844)	0	0	(12,844)	(12,828)
<b>Net Financing</b>		<b>419,619</b>	<b>0</b>	<b>0</b>	<b>419,619</b>	<b>405,812</b>
Net Increase / (decrease) in cash and cash equivalents in the year		(715)	(936)	0	(1,651)	732
Cash and cash equivalents at the beginning of the year		794	1,470	0	2,264	1,532
<b>Cash and cash equivalents at the end of the year</b>		<b>79</b>	<b>534</b>	<b>0</b>	<b>613</b>	<b>2,264</b>
<b>Reconciliation of net cash flow to movement in net debt/cash</b>						
Increase/(decrease) in cash in year	12	(715)	(936)	0	(1,651)	732
Net cash at 1 April		794	1,470	0	2,264	1,532
<b>Net cash at 31 March</b>		<b>79</b>	<b>534</b>	<b>0</b>	<b>613</b>	<b>2,264</b>

## 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 Dumfries & Galloway by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

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

“NHS Dumfries & Galloway Annual Accounts template” means the Excel spreadsheet issued to NHS Dumfries & Galloway 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