



Public Health Scotland

Annual Report & Accounts
for the Year to 31 March 2021

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PART A

PERFORMANCE REPORT

Overview

This Overview provides sufficient information to understand the purpose, the key risks to the achievement of our objectives and how we have performed during the year. Further detailed information is provided in the rest of the Performance Report, the Accountability Report and the Financial Statements.

PHS have used the exemption provided in the FReM Addendum not to provide a separate Performance Analysis section within the Performance Report in 2020/21

Chief Executive's Statement

Public Health Scotland was founded on 1 April 2020, bringing together Scotland's national capacity to improve and protect health into one organisation for the first time. The creation of a new leadership body for public health in Scotland was one of the three pillars of the public health reform programme, along with the development of shared national public health priorities and a whole-system approach to public health. Jointly led by the Scottish Government and the Convention of Scottish Local Authorities (COSLA), the reform programme intended to provide the people of Scotland with a public health system equipped and ready to meet Scotland's well-documented health and wellbeing challenges.

These challenges include a stall in life expectancy, the worse health inequalities in western and central Europe, a record number of drug-related deaths, some of the highest incidences of obesity amongst OECD countries, and almost a fifth of the population living in relative poverty. Prior to our inception staff had been engaged in a series of sessions envisioning what we might do differently in the new organisation to have the impact we need on health in Scotland.

But 2020 brought a new challenge, and the organisation had to immediately adapt and respond to the COVID-19 pandemic. In the first few weeks many of the teams transferring to PHS were asked to apply their skills in different areas enabling us not just to respond to the pandemic but play a vital role in managing it. The agility, flexibility and adaptability of individuals and teams leaves us well-placed to continue to move at pace, and maintain the focus on innovation and the development of the purposeful partnerships that will deliver improved outcomes for our communities.

As we look to the year ahead, we will be working to maintain the positive legacy from the pandemic and the learning from our first year of operation. This includes maintaining the system-wide focus on inequalities, continuing to respond rapidly to new and emerging issues, and developing further partnerships with a focus on outcomes and impact. Working with our joint sponsors – the Scottish Government and COSLA – and partners across all sectors, we will continue to bring our leadership to bear on Scotland's public health challenges and provide partners with the data, intelligence, evidence, and tools required to make a difference for the people of Scotland. As our Strategic Plan says, together, we can create a Scotland where everybody thrives.

Angela Leitch, Chief Executive, April 2021

Purpose and Activities of PHS

Public Health Scotland is Scotland's national body for public health and wellbeing.

We started operations on 1 April 2020. We bring together Scotland's national assets for improving and protecting population health into one organisation for the first time. Legislatively, we are constituted as a [national](#) board of NHS Scotland by the Public Health Scotland Order 2019, SSI 2019/336. Administratively, we are jointly sponsored by the Scottish Government and the Convention of Scottish Local Authorities (COSLA).

How we are organised

Public Health Scotland's chief executive is Angela Leitch. We are organised in four directorates.

- **Clinical and Protecting Health (CPH)**, led by Nick Phin. CPH's purpose is to protect the people of Scotland from infectious and environmental hazards; enable high-quality clinical and public health knowledge, research and innovation; and improve clinical and public health practice by using audits at a national and local level.
- **Data Driven Innovation (DDI)**, led by Phil Couser. DDI's purpose is to harness the power of innovation and data science to transform, expand and release the potential of our data and information assets in order to lead a data driven approach to improving public health outcomes nationally and locally.
- **Place and Wellbeing (P&W)**, led by Claire Sweeney. P&W's purpose is to provide world class evidence, data and public health expertise to drive improvements in the health of the Scottish population. This includes areas such as the economy and poverty, mental wellbeing, and healthy and sustainable places.
- **Strategy, Governance and Performance (SGP)**, led by Vicki Bibby. SGP's role is to provide critical internal and external functions for the organisation. With a responsibility for strategic planning, performance, people and communications, SGP leads, drives and supports the organisation to deliver, with impact, the ambitious transformation programme.

Our aims

We published our first Strategic Plan in September 2020. It sets out our vision: a Scotland where everybody thrives.

Scotland faces considerable challenges to its health and wellbeing. COVID-19 has shortened thousands of lives, and harmed our economy and society both directly and indirectly. Even without the current pandemic, healthy life expectancy was the lowest in Western Europe. The decades long trend of improving life expectancy had stalled. Health inequalities were unacceptably large.

Our strategic plan focuses on what we will do and how we will work to meet these challenges and achieve this vision.

Our four areas of focus are:

- COVID-19;
- Community and Place;
- Mental Health and Wellbeing; and
- Poverty and Children.

We will do this by working according to our values: collaboration, innovation, excellence, respect and integrity.

In January 2021 we finalised our Transformation Plan. This explains how we will change to realise the ambitions of our strategic plan. In May 2021 we shared our Delivery Plan. This describes the detail of what we will deliver towards creating a Scotland where everybody thrives.

Our performance

As a new national public health body formed at the start of the COVID-19 pandemic, 2020/21 has been a year of challenge and achievement.

Performance management

We inherited different approaches to planning from each of our legacy bodies and in practice responding to the pandemic quickly superseded these plans. It was imperative that we quickly reassigned our people and resources to focus on Scotland's response to COVID-19. To free up resource, a large proportion of staff in directorates out with Clinical and Protecting Health saw their work either scaled back or put on pause to allow them to work on business critical activity.

Doing this while setting up new processes and systems, developing the culture of the new organisation, and bringing staff together from the legacy organisations was a considerable challenge.

Given the unpredictability of the course of the pandemic, we continued to require additional resources in a range of work that both managed the pandemic and helped anticipate what was needed next. Planning also continued with the development of the organisation's first Strategic Plan over the course of May and June, building on the staff engagement that had taken place in the lead up to vesting day.

We put in place measures to manage our performance in this complex and uncertain situation. We:

- Held informal meetings with our sponsor teams every week to rapidly identify and address issues as they emerged;
- Held formal sponsorship meetings every 6 – 8 weeks to address issues of strategic significance;
- Reported to our newly established Board on highlights, challenges, risks and issues each quarter;
- Had a formal annual review with our sponsors, the Minister for Mental Health and Councillor Currie (COSLA's health and social care spokesperson), in October to review our performance to date;
- Introduced routine quarterly formal performance reviews starting with quarter four of 2021/22;
- Started developing a performance framework including key performance indicators as part of our Transformation Plan, our Strategic plan and our Delivery plan; and
- Developed an approach to risk management and a corporate risk register.

Performance Summary

The Scottish Government and COSLA, as joint-sponsors, wrote to our Chief Executive in February 2020 to formally commission the organisation's work. This included setting the following strategic priorities for the organisation:

1. Public Health Scotland will be recognised as the public health leader in Scotland, providing leadership to drive change and innovation nationally and locally;
2. Public Health Scotland will provide support and oversight to the delivery of Scotland's Public Health Priorities;
3. Public Health Scotland will advise how resources across Scotland could best be aligned to improve outcomes for public health; and
4. Public Health Scotland will maintain and adapt delivery with a view to transitional change and strategic thinking.

Key deliverables by the end of our first year were specified in the letter as:

- Details of the continued deliverability of key functions as well as an indication of early wins and what will be different in the future, building on the Annual Operational Plan 2020/21;
- The focus should be on the establishment of appropriate governance arrangements, developing a strategic framework to deliver outcomes, and beginning to affect change in order to influence and support the wider system; and
- The three-year strategic framework will set out an ambitious prospectus of how Public Health Scotland will drive forward the outcomes articulated within the Strategic Priorities and outline the performance framework which these will be measured against.

Although the context of our first year was very different to that envisaged by our sponsors when these priorities and key deliverables were set, we have – despite the challenging context – succeeded in delivering against the priorities and the specific actions.

Feedback on our performance has been positive. This has been formal and informal. Formally, our ministerial and elected sponsors affirmed our performance at our annual review. Senior officials also noted their appreciation at our quarter four formal performance review. We have also received positive feedback from our partners and stakeholders.

We have made significant progress as a new organisation, working remotely, with a requirement to use our financial and human resources differently. We have responded at pace throughout the year, developing new products and services tailored around the needs of our parts and stakeholders. We have in the main met the needs and expectations of our partners and stakeholders. In some cases, we have exceeded expectations, including the ways in which we have created dashboards, made data available for local interrogation, and created new tools using geo-spatial connection technology. Meeting – and in some cases exceeding – expectations in a year when we brought together two legacy bodies, appointed three new directors, developed a new Strategic Plan and started transforming an organisation is credit to the skills, knowledge, experience and commitment of our people.

As part of our public health remit, we continued to work with Scottish and UK Governments and our international public health partners (such as the WHO) to mitigate the impact of Brexit on the delivery of our mission. We worked closely with our strategic partners in NSS to mitigate any impacts on our employees.

Climate change was an important focus for us. We started supporting the preparation for COP26, being hosted in Glasgow in November 2021. We also started developing a programme of work to reduce our own carbon footprint and contribute to delivering net zero carbon emissions.

As of 31 March 2021, of the deliverables identified in our Transformation Plan, we had completed 3, most (48) were on track to be delivered, 6 were experiencing some issues and 2 were not on track to be delivered.

Given the plans set out in our Annual Operating Plan (AOP) were superseded by our response to COVID-19, our sponsors never formally approved this plan. We therefore did not track our performance against it.

Highlights

In our first quarter we [led the creation of Scotland's national contact tracing service](#). This involved quickly recruiting and training over a thousand contact tracers. Over the year, this supported the contact tracing of 201,378 cases, resulting in 487,548 people being contacted to self-isolate. We also developed and maintained [new statistics, data, analysis and intelligence](#) on COVID-19 in Scotland. As a result, we shared more than 4,500 'real time epidemiology' reports and data extracts with stakeholders over the year and published more than 40 official statistic publications on COVID-19.

In our second quarter we continued to deliver our pandemic response including [supporting the return of schools and universities](#). We first shared our public-facing COVID-19 dashboard. By the end of the year, this had been viewed 27 million times. We also engaged our staff and stakeholder in the development of our Strategic Plan.

In our third quarter we developed clinical governance arrangements, started training staff and disseminating information to people on the [COVID-19 vaccines](#). This involved producing over 11 million copies of five major leaflets and translating materials in 25 community languages. Our training resources reached 11,300 vaccinators.

The third quarter also saw [the publication of our EAVE II study](#). This was the first evidence of the country-wide impact of COVID-19 vaccines anywhere in the world. This received press coverage internationally.

Our fourth quarter saw the delivery of our Transformation Plan and support for Scotland's pandemic response – including vaccine rollout – throughout the peak of the second wave. This included [support for Scotland's election](#) in May 2021, where we enabled voters and elections officials to vote and count in the safest way possible.

Facts and Figures

In 2020/21 we:

- Employed 1,143 staff (as of March 2021)
- We supported the contact tracing of 201,378 cases resulting in 487,548 people being contacted to self-isolate (up to 4 April 2021)
- Had over 27 million visits to our COVID-19 Daily Dashboard
- Helped create 5 major COVID-19 vaccination leaflets, printing over 11 million copies and distributing them to over 5,000 vaccination centres
- Sent over 4,500 real-time epidemiology reports and data extracts to stakeholders
- Supported 425 local incident management teams as part of the COVID-19 response
- Our health protection guidance web pages were viewed 1,177,390 times and 1,975 people subscribed to receive notifications for guidance updates
- Received 480 Freedom of Information requests
- By April 2021, in just one of our secure data environments, we supported 78 active research projects, which have played a key role in COVID-19-related research across the UK
- 2,800 mentions of Public Health Scotland in the UK press
- Twitter posts generate an average of one million impressions each quarter
- 40,188 learners are registered on our online training platform - 6378 of them new in 2020/21

You can read more about our performance in our [end of year review](#) and quarterly board reports.

Future Plans and Key Risks

Our plans for 2021/22 are fully described in our Delivery Plan 2021/22. This is underpinned by our Workforce Plan and Finance Plan. Below is a summary of the Delivery Plan.

COVID-19

In 2021/22, we will continue to prioritise our support for Scotland's response to COVID-19. Given the changing nature of the pandemic and the needs of our partners and stakeholders, we will continue to be responsive and agile. We will work with partners across Scotland to minimise excess deaths related to COVID-19 and keep levels of the virus down to the lowest level possible. Building on our work in 2020/21, we will:

- Provide expert advice and timely, trusted data to direct Scotland's response;
- Inform effective treatment, so people who suffer the worst infections of COVID-19 receive the best available treatment; and
- Lead the clinical governance and communication of vital public information on COVID-19 vaccinations.

We will enable and encourage the recovery of Scotland's economy and public services by providing advice and guidance to organisations in Scotland - public, private and third sector. We will provide data, modelling and intelligence to support health and social care services to recover. We will continue our support of the education sector with research, surveillance, research and evidence.

To support Scotland's response to future pandemics, we will gather learning and apply the lessons of this pandemic. This will include refreshing our approach to incident management and supporting the potential refresh of Scotland's public health priorities.

Mental Health and Wellbeing

We will work to improve Scotland's mental wellbeing, measured by the Warwick-Edinburgh Mental Wellbeing Scale in the Scottish Health Survey.

Our work will focus on children and young people, mental health at work, preventing suicide, and improving quality mental health treatment services.

We will develop shared indicators of success with partners, enhance our data and intelligence and partner with Healthcare Improvement Scotland, the Improvement Service and local bodies to drive improvement.

Communities and Place

Where we live shapes our health. Scotland's communities are diverse. Urban, suburban, rural and island communities each have different needs and requirements.

We will work with partners to increase healthy life expectancy and reduce premature mortality in all our communities - especially those with the worst outcomes.

We will co-create healthy, sustainable places by partnering with NESTA, COSLA, the Improvement Service, the Health Foundation, Architecture Design Scotland, NatureScot, the Scottish Government and local partners on a series of programmes to create physical places which help communities live healthy lives.

We will offer local leaders and policy makers extra insights into the needs of their communities by improving our local data and intelligence offering. This will draw together high quality data, intelligence, modelling and advice, including developing local profiles.

We will support quality housing and address homelessness by working alongside our partners to deliver the recommendations of the refreshed Ending Homelessness Together Action Plan.

We will also reduce the health harms communities are exposed to. This will include work to:

- reduce the proportion of harmful drinkers;
- reduce the health harm associated with gambling;
- reduce drugs deaths;
- reduce smoking;
- eliminate Hep C, HIV transmission and reduce sexually transmitted infections; and
- promote physical activity.

We will further support quality public services by informing and equipping health and social care services. We will work with partners to reduce inequalities in access to cancer screening. We will also bring new primary care data online, share an accelerated analysis of care homes and home care data and inform work to support emerging policy about delayed discharges.

Poverty and Children

Scotland's public health needs urgent action to meet the challenges it faces. It also needs investment for the long term. That is why we continue to invest in work to reduce poverty and promote children's health.

We will work to increase life expectancy by reducing relative and persistent poverty, increase economic participation and reduce the proportion of people earning less than the living wage.

We will do this by embedding staff in and working closely alongside COSLA, Glasgow City Region and other City Regions/Deals. We will also partner with Skills Development Scotland, Scottish Enterprise and the Health Foundation to build community wealth and place-based economic development.

We will contribute to national efforts to reduce the proportion of children in material deprivation, reduce the number of still-births and improve other national indicators of child health.

We will do this by:

- continuing to support childhood immunisation (one of the most cost-effective things any country can do for its health);
- reducing child poverty;
- working with education; and
- Supporting services for children, young people and their families.

How We Will Work

We will support **collaboration** by enabling access to and linking data about health and wellbeing in Scotland.

We will **innovate** by modernising access to hospital activity data, rationalising information reporting becoming more efficient at producing analytics.

We will demonstrate **excellence** by showing progress towards the national performance framework indicators linked to our strategic plan.

We will protect the **integrity** of the data we are responsible for.

We will **respect** the people we serve through our equality outcomes:

We enable and equip Scotland to advance equality in health and wellbeing, reducing unfair differences in health outcomes.

We have a workforce that welcomes, values and promotes diversity and dignity, is competent in advancing equality and tackling discrimination and embraces our organisation aim that everyone should

enjoy the right to health. To support this we will continually review our reporting to reflect our commitment to Equality.

Our premises and systems are as adaptable and flexible as possible to meet the changing needs of the organisation and all those who wish to use them.

Sustainability

We are committed to moving towards sustainable business practices. You can learn more about our approach in our Sustainability Vision and Action Plan. Our approach to sustainability encompasses:

- **Stewardship and Culture** – promoting sustainability within our organisation and embedding this into our values and culture;
- **Procurement** – Reviewing how our procurement activity can improve our contributions to economic, social and environmental wellbeing in line with the [Procurement Reform \(Scotland\) Act 2014](#);
- **Infrastructure** – Developing the workplace to be more sustainable in terms of infrastructure changes in our work practice;
- **Digital Technology** – Exploring the ways our digital ambitions can contribute to the wider reduction in our carbon footprint; and
- **Climate Change** – Engaging with key partners as health and health inequalities are integral to climate change policy at a national and local level.

Risks

Important risks facing Public Health Scotland in 2021/22 include:

- Continuing to respond flexibly to the changing demands of the COVID-19 pandemic;
- Changing the balance of our recurring /non-recurring funding so we rely less on short term funding. We are working closely with our Scottish Government sponsor to agree the transfer of funding for recurring services PHS provide to SG and on behalf of NHS Scotland in quarter one of 2021/22
- Driving forward change in our work, culture, and our workforce's skill mix to deliver on stakeholder and sponsor expectations of us as a new body;
- Supporting staff wellbeing as we learn to work differently.
- Transitioning being exclusively focused on responding to COVID-19 to it being part of what we do.

The Delivery Plan 2021/22 which is underpinned by the workforce and financial plans along with the Transformation programme, developed and approved by the PHS Board address these key risks.

Social Matters

- PHS has implemented Equality & Human Rights Policy to provide guidance and protection for managers and employees to ensure employees are treated fairly and consistently with dignity and respect. This is in line with the Pin Guidance Embracing Equality, Diversity and Human Rights in NHS Scotland. Policies will be regularly reviewed to reflect changes in legislation, to ensure they are fully up to date taking into account the distinctive requirements and characteristics of the organisation and ensuring equality and diversity are evident throughout.
- We have zero tolerance on bribery or any kind of fraud. We have robust controls in place to help deter, detect and deal with it. These controls are reviewed annually, as are our Standing

Financial Instructions. The Finance, Audit and Risk Committee considered regular reports from the Fraud Liaison Officer which included Counter Fraud updates. Ms Ann McKechin, Non-Executive Director is the Counter Fraud Champion.

- PHS is committed to running the organisation in the best way possible. The Whistleblowing Policy has been introduced to reassure all staff that it is safe and acceptable to speak up, and to enable them to raise any concern which they may have at an early stage and in the right way. Rather than wait for proof, it is preferable if a matter is raised when it is still a concern. Ms Elizabeth Humphreys, Non-Executive Director is the PHS Whistleblowing Champion.

Financial Performance

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. The impact of the COVID-19 pandemic on the entity has been considered and a financial forecast was prepared and reviewed regularly by the Board. The assumptions are reasonable and the outcome demonstrated that financial balance could be achieved during 2021/22. Funding for the entity is received from Scottish Government and monthly financial forecasts are being provided to them."

The Scottish government sets three financial targets for Public Health Scotland on an annual basis. These are:

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

Public Health Scotland is expected to stay within these limits and the performance against these limits in the current year is set out on the next page:

| | Limit as set by SGHSCD £'000 | Actual outturn £'000 | Variance under £'000 |
|--|---|-------------------------------------|-------------------------------------|
| Core revenue resource limit | 72,773 | 72,748 | 25 |
| Non-core AME provision resource limit | 40 | 40 | - |
| Non-core revenue resource limit (deprec'n) | 651 | 651 | 0 |
| Total Revenue Resource Limits | 73,464 | 73,439 | 25 |
| Core capital resource limit | 350 | 350 | - |
| Cash requirement | 70,470 | 70,470 | - |

MEMORANDUM FOR IN YEAR OUTTURN

| | £'000 |
|--|--------------|
| Surplus/(Deficit) against in year total revenue resource limit | 25 |

The Board ended financial year 2020/21 with a £25k revenue surplus. During the year the Finance Audit & Risk Committee played a key role in monitoring financial performance and reviewed actions taken by the Senior Leadership Team (SLT), particularly in relation to improving budget profiling and reducing year end pressures. Regular update reports were provided to the Board at its meetings.

Revenue

The total revenue expenditure for 2020/21 was £80.6m split across our four directorates:

| | £m |
|--------------------------------------|-----------|
| Board Clinical and Protecting Health | 18.0 |
| Data Driven Innovation | 13.4 |
| Place and Wellbeing | 27.0 |

| | |
|--------------------------------------|------|
| Strategy, Governance and Performance | 22.2 |
| Total | 80.6 |

Further analysis of the total expenditure can be found in Note 3 (pg 53).

Income

The total operating income for 2020/21 of £7.1m has been credited to the Statement of Comprehensive Next Expenditure for the year ended 31 March 2021. Public Health Scotland receives income from NHS Scotland Boards, NHS Non Scottish Bodies, Other Public Sector bodies and third parties for the delivery of services.

This gives a net expenditure position of £73.4m as shown in the Statement of Comprehensive Net Expenditure (pg38)

Revenue Resource Limit

A total revenue resource limit of £73.5m was provided by SGHSCD. This is made up of recurring baseline funding of £47.9m to support operational activities, additional funding for specific programmes and services of £14.3m and £11.3m to support the Public Health Scotland COVID-19 response.

COVID-19

Supporting Scotland's response to COVID-19 is at the forefront of our work. We provide data to inform decision making around effective measures, and guidance and resources to contribute towards managing the virus. Working in collaboration with NHS Scotland boards, the Scottish Government, Local Authorities and may others to tackle the virus, improve and protect health and reduce health inequalities. To support this work we have received additional funding of £11.3m, this covered costs such as:

- Additional staff resources, mainly in Health Protection and Data Analytics;
- Digital Transformation;
- Genomics;
- Marketing campaigns;
- National Contact Tracing;
- School Surveillance; and
- Serology.

Transfer of Assets and Liabilities from NHS Scotland Boards

During the financial year the assets and liabilities totalling £2.5m from NHS Health Scotland and Public Health and Intelligence, a strategic business unit of NHS National Services Scotland were transferred to Public Health Scotland. Below are the category of assets and liabilities transferred:

| | NHS Health Scotland | NHS National Services Scotland | Total |
|-------------------------------|------------------------|--------------------------------------|-------|
| | £'000 | £'000 | £'000 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 937 | | 937 |
| Intangible Assets | | 2,654 | 2,654 |
| Current Assets | | | |
| Trade and Other Receivables | 77 | | 77 |
| Cash and Cash Equivalents | 782 | | 782 |

Current Liabilities

| | | | |
|--------------------------|-------|-------|-------|
| Trade and Other Payables | (543) | (348) | (891) |
|--------------------------|-------|-------|-------|

Non-Current Liabilities

| | | | |
|--------------------------|-------|-------|-------|
| Provisions | (894) | | (894) |
| Trade and Other Payables | | (204) | (204) |

| | | | |
|--------------|------------|--------------|--------------|
| Total | 360 | 2,101 | 2,461 |
|--------------|------------|--------------|--------------|

Pensions and Pension Liabilities

Sums charged to the revenue account during the year in respect of deferred pensions, and the balance of the remaining liability for such costs, is shown in Note 14 (pg 61). During this accounting period, the charge to the Statement of Comprehensive Net Expenditure for pension is based on the actual contributions level set by the Government actuary. The costs associated with pension liabilities are shown in Note 14 (pg 61) and the Remuneration Report (pg 25). The accounting policy note for pensions is provided in Note 1 (pg 42).

Provisions

During the year the value of the provisions held in the accounts of £0.9m primarily relates to the provisions for injury benefits. Public Health Scotland meet the cost of compensation for the loss of earnings made to employees as a result of injury sustained in the course of their employment by paying

the required amounts annual to the Scottish Public Pensions Agency. Full details can be found in Note 11 (pg 59).

Negative Net Assets

Under current accounting arrangements Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the Scottish Government Health & Social Care Directorate (SGHSCD). This has resulted in net liabilities on the Statement of Financial Position. The Statement of Financial Position reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. Accordingly, the accounts have been prepared on the going concern basis.

Payment Policy

The Scottish Government is 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.

- In 2020/21 the average period of credit taken from all suppliers was 16 days
- In 2020/21 Public Health Scotland paid 85.0% of all invoices by value and 65.6% of all invoices by volume, within 10 days
- In 2020/21 Public Health Scotland paid 92.5% of all invoices by value and 89.3% of all invoices by volume, within 30 days

Sustainability

We are committed to moving towards sustainable business practices. You can learn more about our approach in our Sustainability Vision and Action Plan. Our approach to sustainability encompasses:

- **Stewardship and Culture** – promoting sustainability within our organisation and embed this into our values and culture.

- **Procurement** – Reviewing our procurement activity can improve our contributions to economic, social and environmental wellbeing in line with the [Procurement Reform \(Scotland\) Act 2014](#).
- **Infrastructure** – Developing the workplace to be more sustainable in terms of infrastructure changes in our work practice to make it more sustainable.
- **Digital Technology** – Exploring the ways our digital ambitions can contribute to the wider reduction in carbon footprint.
- **Climate Change** – Engaging with key partners as health and health inequalities are integral to climate change policy at a national and local level

Approval and Signing of the Performance Report

The Accountable Officer authorised these financial statements for issue on 23rd June 2021.

DocuSigned by:

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Angela Leitch
Chief Executive

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

1 Date of issue

The Accountable Officer authorised these financial statements for issue on 23 June 2021

2. Appointment of Auditor's

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial year 2020/21 the Auditor General appointed Deloitte LLP to undertake the audit of Public Health Scotland (PHS). 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.

3. Board Membership

Under the terms of the Scottish Health Plan, the PHS Board is a board of governance whose membership will be conditioned by the functions of the Board. Members of the PHS Board 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. Non-executive members are appointed through an open public appointments process.

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

The Board Members who held office during the year are as follows:

| Non-Executive Directors | Title | Appointed | Unexpired Term as at 31 March 2021 | |
|--------------------------------|-------------------|------------------|---|---------|
| Professor Jim McGoldrick | Chair | | | |
| Ms Ann McKeekin | Vice Chair | 01/04/2020 | 1 year | |
| Ms Elizabeth Humphreys | | 01/04/2020 | 2 years 11 months | |
| Dr Anna Black | | 01/04/2020 | 1 year | |
| Mr Colin McLean | | 01/04/2020 | 1 year | |
| Ms Jane-Claire Judson | | 01/04/2020 | 3 years | |
| Professor Marion Bain | | 01/04/2020 | 3 years | |
| Dr Rak Nandwani | | 01/04/2020 | 3 years | |
| Mr Steve Barron | | 01/04/2020 | 3 years | |
| Cllr Jacqueline Cameron | | 01/04/2020 | 1 year | 1 month |
| Cllr Julie Bell | | 01/04/2020 | 1 year | 1 month |
| Mr Michael Craig | Employee Director | 01/04/2020 | 3 years | |
| Executive Director | | | | |
| Ms Angela Leitch | Chief Executive | | | |

The Board Members' responsibilities in relation to the accounts are set out in the Governance Statement following this report (see page 18).

Board Members' and Senior Managers' Interests

As required by International Accounting Standard (IAS) 24, details of any interests of Board Members, senior managers and other senior staff in contracts or potential contractors with the Board are disclosed in Note 16 (pg 66).

Details of company directorships or other significant interests held by Board Members which may conflict with their management responsibilities are recorded in the Register of Board Members' Interests which is available at: <https://www.publichealthscotland.scot/our-organisation/our-board-and-senior-leadership-team/register-of-interest/>. If required, further information is available from the Chief Executive's office at Public Health Scotland.

Directors' Third Party Indemnity Provisions

No qualifying third party indemnity provision (whether made by the Board or otherwise) has been in place for one or more of the directors at any time during the financial year.

Remuneration for Non-Audit Work

Deloitte did not undertake any non-audit work on behalf of the PHS Board during 2020/21 and received no additional remuneration from PHS.

Public Services Reform (Scotland) Act 2010

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

In accordance with the Public Services Reform (Scotland) Act 2010, PHS publish the full information as required by the act on the PHS website following the approval of the Annual Report and Accounts. The report for 2020/21 will be available from July 2021 at <https://www.publichealthscotland.scot/>.

Personal Data Related Incidents Reported to the Information Commissioner

There were no personal data related incidents, which we needed to report to the Information Commissioners Office.

Statement of the Accountable Officer Responsibilities

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer of the Scottish Government appointed me as Accountable Officer for PHS.

This designation carries with it responsibility for:

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

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

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

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that PHS auditor's are aware of that information. So far as I am aware, there is no relevant audit information of which the auditor's are unaware.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles, and in the format, directed by the Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer of Public Health Scotland as intimated in the Departmental Accountable Officer's letter to me on the 1 April 2021.

Statement of Board Members' Responsibilities in Respect of the Accounts

Under the National Health Service (Scotland) Act 1978, Public Health Scotland 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 PHS as at 31 March 2021 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

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

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

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

Governance Statement

Scope of responsibility

The Accountable Officer is 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, the Accountable Officer is responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of internal control

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

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

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place the 2020/21 year and up to the date of approval of the annual report and accounts.

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

Governance Framework of the Board

PHS Board

The Board met four times formally during the year to progress its business. It is supported in this work by the Finance, Audit and Risk Committee, the Staff Governance Committee, and the Remuneration Committee. The Board also met five times informally with the Senior Leadership Team and other senior members of the management team to consider strategic and other adhoc issues.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee was chaired by Mr Colin McLean, and comprised Ms Elizabeth Humphreys, Ms Ann McKechin, Dr Rak Nandwani, Mr Steve Barron and Mr Michael Craig. The Chief Executive, Director of Strategic Planning and Performance, Internal and External auditors are in attendance along with senior colleagues from across the organisation and the shared service provider. The Committee met four times during the year. The purpose of the Committee is to support the Board in their responsibilities for issues of risk, control and governance and associated assurance. The Committee is an advisory and commissioning committee promoting a climate of financial discipline and internal control and overseeing arrangements to attain value for money, regularity and propriety and reduce the risks of financial or other mismanagement.

Staff Governance Committee

The Staff Governance Committee was chaired by Ms Jane-Claire Judson and comprised Cllr Julie Bell, Dr Anna Black, Ms Elizabeth Humphreys, Cllr Jacqueline Cameron, Ms Ann McKechin and Mr Michael Craig. The Chief Executive, Director of Strategic Planning and Performance are in attendance along with Ms Karen Donnelly and Ms Agnes Allan as staff side representatives. The Committee met three

times during year and also held a joint session with the Partnership Forum. The purpose of the committee is to ensure that Public Health Scotland establish a culture where the workforce of the organisation is supported to deliver the organisation's strategic ambitions, in keeping with the dial accountability of Public Health Scotland to the Scottish Government and to COSLA and where the highest standards of staff management are maintained.

Remuneration Committee

The Remuneration Committee was chaired by Mr Colin McLean and comprised Professor Jim McGoldrick, Professor Marion Bain, Ms Jane-Claire Judson and Mr Michael Craig. The Chief Executive is also in attendance. The Committee met twice during the year. This committee operates as a sub-committee of the Staff Governance Committee. Their purpose is to ensure efficient and effective use of public money in relation to the managerial and executive pay and that decisions on pay are full supportable to the general public who will want assurances that the maximum level of resources goes into improving outcomes for the people of Scotland. The Committee also ensures that appropriate systems for professional registration and other related processes are in place.

Further information relating to the Remuneration Committee is disclosed in the remuneration report.

Public Health and Wellbeing Governance Committee

The Public Health and Wellbeing Governance Committee was chaired by Professor Marion Bain. During the year the membership comprised Dr Anna Black, Cllr Julie Bell, Mr Steve Barron, Dr Rak Nandwani and Cllr Jacqueline Cameron. The Chief Executive and the Director of Public Health and Wellbeing are usually in attendance. The Committee met twice during the year.

Governance Review

The strands of corporate governance have been extended within NHS Scotland, explicitly to include staff, financial and information governance. Financial governance is still fundamental to the proper conduct of business within NHS Scotland organisations. In addition to the prevention of fraud and corruption, financial governance includes budgetary control and financial reporting, capital investment and best value. The Board's financial performance is set out in the Performance Report and the role played by the Finance, Audit and Risk Committee in relation to financial governance is set out in its purpose.

The NHS Scotland Staff Governance Standard, defines staff governance as 'a system of corporate accountability for the fair and effective management of all staff' and sets out what each NHS Scotland employer must achieve in order to improve continuously in relation to the fair and effective management of staff. The standard requires that all NHS boards must demonstrate that staff are well informed, appropriately trained, involved in decisions which affect them, treated fairly and consistently, and provided with an improved and safe working environment. The Partnership Forum is directly involved

in assessing performance through a review of the self-assessment process which leads to an annual monitoring return. Agreed areas for improvement are set out in the Staff Governance Action Plan and progress in implementing the plan is monitored by the Staff Governance Committee.

Information is needed to manage resources. It is also important for clinical governance, corporate governance, service planning and performance management. Policies, procedures and management accountability are needed to manage information securely, efficiently and effectively. Information governance is a framework which brings together all the statutory requirements, standards and best practice that apply to the handling of information. Relevant work encompasses areas of legislation e.g. data protection and freedom of information, and also a number of initiatives such as information security, the Caldicott Framework, records management, information quality assurance, and confidentiality.

| BOARD AND SUB-COMMITTEE ATTENDANCE (No of meetings attended by non-executives in year) | Board | Finance, Audit and Risk Committee | Remuneration Committee | Staff Governance Committee | Public Health and Wellbeing Governance Committee |
|---|-------|-----------------------------------|------------------------|----------------------------|--|
| Professor Jim McGoldrick | 4 | | 2 | | |
| Ms Ann McKechin | 4 | 4 | | 3 | |
| Mr Colin McLean | 4 | 4 | 2 | | |
| Ms Jane-Claire Judson | 4 | | | 3 | |
| Professor Marion Bain | 4 | | 2 | | 2 |
| Dr Anna Black | 4 | | | 3 | 2 |
| Ms Elizabeth Humphreys | 4 | 4 | | 3 | |
| Cllr Jacqueline Cameron | 4 | | | 3 | |
| Cllr Julie Bell | 4 | | | 3 | 2 |
| Dr Rak Nandwani | 4 | 3 | | | 2 |
| Mr Steve Barron | 4 | 4 | | | 2 |
| Mr Michael Craig (Employee Director) | 4 | 3 | 1 | 3 | |

Operation of the Board

The table below describes the key elements that comprise the Board's governance arrangements, including the framework that supports the Accountable Officer discharging her responsibilities. The contents of the table summarises the overarching structures that deal with the following areas and indicate how they are linked to each other.

| Area | Mainly dealt with by |
|---|--|
| Setting and communicating the Board's vision and intended outcomes for its stakeholders, ensuring delivery and appropriateness of framework | A Scotland where everybody thrives: Public Health Scotland's Strategic Plan 2020-23. |
| Defining and documenting the roles and responsibilities of the Board, setting out protocols for effective communication, arrangements for clear delegation, and for challenging and scrutinising Board activity | Board standing orders, scheme of delegation, Board meetings, follow up actions and self-assessments |
| Reviewing and updating standing orders, standing financial instructions, scheme of delegation, contract/procurement regulations and supporting procedures and manuals which clearly define how decisions are taken and associated risks managed | Review and update systems (annual) |
| Undertaking the core functions of the Finance, Audit & Risk Committee and other standing committees of the Board | Terms of reference of standing committees reviewed annually; annual governance report from each standing committee |
| Ensuring compliance with relevant laws and regulations and internal policies and procedures | Regular review by management, Board, Partnership Forum, and sub-committees |
| Ensure safety of public funds, facilitating whistle-blowing by staff, and recording and investigating complaints from the public | Fraud Management Policy, Whistle-blowing Policy, complaints system operational and reported to Board |

| Area | Mainly dealt with by |
|--|--|
| Identifying and addressing the development needs of executive and non-executive directors in their strategic and operational roles | Board induction, development plan, appraisal systems |
| Establishing clear channels of communication with all stakeholders, ensuring clear accountability encouraging open consultation | Communication and engagement strategies |
| Promoting good governance arrangements in respect of partnerships and other group-working | Partnership Forum and Staff Governance Committee, stakeholder input to Board Member recruitment processes, service level agreements and partnerships with other NHS bodies, COSLA and the wider public sector. |

COVID-19 Governance Arrangements

Scottish Government issued guidance to Boards on changes to their governance arrangements in order to focus efforts on the pandemic response.

From vesting date, we have been operating our governance framework in as flexible a way as possible to balance the COVID-19 related demands on the organisation with the requirements of effective governance.

The governance framework was approved at the first meeting of the Board on 20 May 2020. This included the establishment of three standing committees for Finance, Audit and Risk, Staff Governance, and Public Health and Wellbeing. The delegation of business to the Remuneration Committee, a sub-committee of the Staff Governance Committee, was also approved. All Board and committee meetings are held on MS Teams.

Risk and Internal Control Framework

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

The PHS Risk Management Approach was approved by the Finance, Audit and Risk Committee in November 2020, the approach will be reviewed and approved by the Committee annually.

Risk Appetite

Risk appetite is about recognising the opportunities facing the organisation and taking well thought through risks where the long term rewards are expected to be greater than any short term losses. We define our 'risk appetite' as the amount of risk that we are prepared to accept, tolerate or be exposed to at any point in time.

The risk appetite is assessed by risk category:

- Business
- Clinical
- Reputational
- Workforce

The level of risk will be continually assessed and reviewed through the strategic planning process. The PHS risk appetite will be set by the Board and thereafter reviewed on at least an annual basis.

Risk Management

PHS's key objectives in relation to risk management are:

- To use risk management to identify and explore opportunities for innovation;
- To help hold staff at all levels accountable for the decisions they make with regard to the organisation's reputation and impact;
- To manage risk in partnership with staff, stakeholders, the public and other organisations;
- To identify the Risk Appetite for each defined risk topics and to manage the risk within those levels;
- To promote a culture of effective management of risk, where risks are managed at an appropriate level, with escalation processes clear and easy to use but proportionate so that risks are managed locally where appropriate;
- To identify, train and support key staff to ensure that risk management is part of the delivery of PHS's services;
- To establish systems of monitoring and evaluating risk management through the creation of clear accountability arrangements which report to the Senior Leadership Team, relevant governance Committees and the Board; and
- To maintain an open culture of communication around risks, their controls and the value of effective and proactive risk management.

Risk Assessment

Risk are assessed as a combination of the likelihood of an event occurring and the impact of the event, before any controls are introduced. PHS have established a scoring matrix for assessing the likelihood and impact of the event this is key to determining the subsequent actions to be taken.

Roles and Responsibilities

All staff have responsibility to report events, incidents or accidents which have or could lead to Business, Workforce, Clinical or Reputational risks for the organisation, its staff and stakeholders.

Directors and Heads of Service are responsible for ensuring that risk registers are maintained and reviewed, and that appropriate risk management strategies and practices are adopted within their areas.

The role of the Management Groups in relation to risk management is to challenge and review risks on the MRR raised in their respective areas of focus (Business, Workforce, Clinical, Reputation and Information Governance risks).

The SLT have responsibility for reviewing and challenging risks, ensuring adequate mitigating action plans are in place, advising on actions for risk exceeding appetite, providing advice on or taking actions in relation to risks where requested by Directors and escalating to the Board any risks they consider to be strategic.

The Finance, audit and Risk Committee have a standing agenda item to review risk management across the organisation, detailing improvements being made and the key risks for the organisation. This provides the Committee with assurance that risk management is operating effectively and that there is integration between organisational risks and audit activity.

The PHS Committees receive regular risk update reports. The Committees review and challenge Business, Clinical, Reputational and Workforce risks respectively across PHS at each meeting.

The PHS Board receives risk update reports every six months. The reports include details of risk management improvements, the risk profile for the organisation and the key risk being addressed. This gives the Board the opportunity to review and challenge risk management processes and the key risks we face. The Board reviews and approves PHS's appetite to risk annually.

Internal Audit

PHS's Internal Auditor's submit regular reports to the Finance, Audit and Risk Committee. The Head of Internal audit also submits an independent opinion on the adequacy and effectiveness of PHS's system of internal control, together with recommendations for any improvements. In accordance with the Internal Audit Plan for 2020/21, agreed by the Finance, Audit and Risk Committee, the Internal auditor's carried out a review of the systems in place to provide assurances about the internal controls operating within PHS.

Internal Audit Opinion

'Significant with minor improvements assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'.

Overall the review found that the assurance framework is founded on a systematic risk management process and does provide appropriate assurance to the Board.

The assurance framework does reflect the organisation's key objectives and risks and is reviewed by the PHS Board on a regular basis.

There were 9 medium and 9 low risk recommendations identified by the Internal Auditor's as part of their overall review. These recommendations have agreed action plans in place to be completed during 2021/22. Management will provide regular updates on action plans to the Finance, Audit and Risk Committee.

Independent Assurances and review of Adequacy and Effectiveness

The Accountable Officer is responsible for reviewing the adequacy and effectiveness of the system of internal control. This review is informed by:

- Directors and Senior managers who are responsible for developing, implementing and maintaining internal controls across their areas
- the work of the internal auditor's, who submit to the Finance Audit & Risk Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement
- comments by the external auditor's in their management letters and other reports.

The following processes have been established:

- the SLT and Partnership Forum meet regularly to consider plans and implementation of organisational strategy
- periodic reports from the Chair of the Finance, Audit & Risk Committee to the Board, concerning internal control
- regular reports by internal audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects

- a regular programme of risk reviews to identify and keep up to date the record of risks facing the organisation
- a programme of risk awareness training
- annual reports and/or appropriate corporate governance assurance from the Finance Audit & Risk, Public Health and Wellbeing Governance, Remuneration and Staff Governance committees.

Assessment of the Board's Risk Management Arrangements

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

Public Health Scotland's risk management process is based on having regular:

- maintenance of corporate risk register;
- reviews of risk register, to ensure that they are up to date, and that identified risk reduction actions are being taken and are effective;
- regular reports to the Finance, Audit & Risk Committee which include an annual review of the corporate risk register, reflect high level and corporate risks, and allow the Finance, Audit & Risk Committee to provide assurance to the Board; and
- annual risk update to the Board.

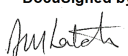
A reporting framework was agreed for 2020/21 which allowed the Finance, Audit & Risk Committee and the Board to receive regular assurance that risk management strategies are operating effectively. For the Board, as well as an annual report, risk updates will be integrated within quarterly performance reports. Each corporate risk is also directly overseen by either the whole Board or delegated to a governance subcommittee, and they receive an update every time they meet.

In addition, the risk management process has and will continue to:

- specify the key controls, strategies and management arrangements in place to manage these key risks
- identify the individuals in the organisation responsible for the management of the key risks
- continue the process of embedding risk management and risk awareness throughout the organisation.

Disclosures in Relation to Significant Control Weaknesses

During the financial year 2020/21 no significant control weaknesses or issues have arisen and no significant failures have arisen in relation to the expected standards for good governance, risk management and control.

DocuSigned by:

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Angela Leitch

Chief Executive

Date 23 June 2021

REMUNERATION AND STAFF REPORT

Remuneration Report

Board Members' and Executive Team Remuneration

Information disclosed in this report relates to the remuneration of Board Members and the Senior Leadership Team. Other disclosures in these accounts provide details of the interests of Board Members and senior employees, and information about related party transactions. See page 14 for Register of Interests and page 58 for Related Party Transactions.

Non-executive Board Members are remunerated in accordance with national guidelines. Executive Board Member and senior employees 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 the Scottish Government Health Directorates has been appropriately applied and agreed by the Remuneration Committee.

At 31 March 2021 the Remuneration Committee was chaired by Mr Colin McLean. The membership of the committee comprised Professor Jim McGoldrick, Professor Marion Bain, Ms Jane-Claire Judson and Mr Michael Craig (Employee Director). The Remuneration Committee met twice during the year.

All posts within the Executive Team have been evaluated under an appropriate national scheme (HAY, Agenda for Change or Medical Consultant terms and conditions). Of the five Senior Leadership Team posts at 31 March 2021, four are under Executive and Senior Management arrangements, and one is under Medical Consultant arrangements.

In line with current guidance and directives, performance management arrangements which create clear links between individual and organisational performance are in place. A formal review takes place annually with individuals when annual objectives are set. Personal development plans are created for all executive and senior managers as part of this process. An interim review is also conducted during the year. The Remuneration Committee plays a crucial role in managing and overseeing performance management processes to ensure that reviews are robust and fit for purpose, and that ratings awarded are supported by performance reported.

As part of the NHS Scotland governance framework, Public Health Scotland operates the national system of performance related pay for senior managers. The performance appraisal process provides written evidence of the basis for allocating performance ratings to individuals and this is made available to the Remuneration Committee. The Remuneration Committee robustly reviews the individual performance ratings against the evidence of overall organisational performance prior to agreeing any pay awards. Proposals are then submitted to the National Performance Management Committee for review, and implementation of any resulting pay increases is not made until confirmation of these proposals has been received.

Contracts of the Senior Leadership Team are open ended and all members are required to give six months' notice of termination of contract. No contract contains any provision for compensation for early termination.

Details of Board Members' remuneration are disclosed in the following table which is in the disclosure format as per the Accounts Manual. Figures for the 2015 Pension Scheme (CARE) have been added to relevant members as provided by the Scottish Public Pensions Agency (SPPA). The information in the following tables has been subject to audit unless otherwise stated.

Board Members and Senior Employees Remuneration for the Year Ended 31 March 2021 (Audited)

Remuneration Table

| Remuneration of: | Gross Salary (Bands of £5,000) £'000 | Total Earnings in Year (bands of £5,000) £'000 | Pension Benefits £'000 | Benefits in Kind £'000 | Total Remuneration (bands of £5,000) £'000 |
|---|---|---|------------------------------|---------------------------------|---|
| Executive Member | | | | | |
| Chief Executive Ms Angela Leitch | 135 – 140 | 135 - 140 | 0 | 0 | 135 – 140 |
| Non-Executive Members | | | | | |
| Professor Jim McGoldrick | 25 – 30 | 25 - 30 | 0 | 0 | 25 – 30 |
| Professor Marion Bain | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Mr Steve Barron | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Cllr Julie Bell (from 1 May 2020) | 5 – 10 | 5 - 10 | 0 | 0 | 5 - 10 |
| Dr Anna Black | 5 – 10 | 5 - 10 | 0 | 0 | 5 – 10 |
| Cllr Jacqueline Cameron (from 1 May 2020) | 5 - 10 | 5 - 10 | 0 | 0 | 5 - 10 |
| Ms Elizabeth Humphreys | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Ms Jane-Claire Judson | 5 - 10 | 5 - 10 | 0 | 0 | 5 – 10 |
| Ms Ann McKechin | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Mr Colin Mclean | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Dr Rak Nandwani | 5 – 10 | 5 – 10 | 0 | 0 | 5 – 10 |
| Employee Director; Mr Michael Craig | 55 – 60 | 55 – 60 | 15 | 0 | 70 – 75 |
| Senior Employees | | | | | |
| Director of Data Driven and Innovation Mr Phil Couser | 105 – 110 | 105 – 110 | 31 | 0 | 140 – 145 |
| Director of Board Clinical and Protecting Health Ms Mary Black (to 4 January 2021) | 150 – 155 | 150 - 155 | 36 | 0 | 180 - 185 |
| Director of Board Clinical and Protecting Health Mr Nick Phin (from 5 January 2021) | 35 - 40 | 35 - 40 | 0 | 0 | 35 - 40 |
| Director of Place and Wellbeing Ms Claire Sweeney (from 22 June 2020) | 70 – 75 | 70 – 75 | 18 | 0 | 90 – 95 |
| Director of Strategic Planning and Performance Ms Vicki Bibby (from 27 April 2020) | 80 – 85 | 80 – 85 | 21 | 0 | 100 - 105 |
| | | Total | 121 | 0 | |

Notes

1. No performance related bonus payments were made to the Executive Director or Senior Managers in 2020/21.
2. Proportion of total remuneration for non-Board duties for Mr M Craig is Band 45- 50 and Ms M Black 35 - 40.
3. The annualised remuneration (in bands of £5,000) for members who have joined during year is as follows: Mr N Phin 150 – 155, Ms C Sweeney 90 – 95 and Ms V Bibby 85 - 90.
4. The calculation of the pension benefits 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.
5. The total earnings in year column show the remuneration relating to actual earnings payable in 2020-21.

**Board Members and Senior Employees Remuneration
for the Year Ended 31 March 2021 (Audited)****Pension Values Table**

| | Total accrued pension at 31 March 2020 (Bands of £5,000) | Real increase in pension (Bands of £2,500) | Cash Equivalent Transfer value (CETV) at 31 March 2020 £'000 | Cash Equivalent Transfer value (CETV) at 31 March 2021 £'000 | Real increase in CETV in year £'000 |
|---|--|---|--|--|---|
| Remuneration of: Executive Member | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive Ms Angela Leitch | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Non-Executive Members | | | | | |
| Professor Jim McGoldrick | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Professor Marion Bain | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Mr Steve Barron | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Cllr Julie Bell (from 1 May 2020) | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Dr Anna Black | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Cllr Jacqueline Cameron (from 1 May 2020) | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Ms Elizabeth Humphreys | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Ms Jane-Claire Judson | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Ms Ann McKechin | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Mr Colin McLean | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Dr Rak Nandwani | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Employee Director; Mr Michael Craig | 5 - 10 | 0 – 2.5 | 53 | 66 | 13 |
| Senior Employees | | | | | |
| Director of Data Driven and Innovation Mr Phil Couser | 10 – 15 | 0 – 2.5 | 143 | 178 | 34 |
| Director of Board Clinical and Protecting Health Ms Mary Black (to 4 January 2021) | 0 – 5 | 2.5 – 5.0 | 0 | 49 | 49 |
| Director of Board Clinical and Protecting Health Mr Nick Phin (from 5 January 2020) | 0 – 0 | 0 – 0 | 0 | 0 | 0 |
| Director of Place and Wellbeing Ms Claire Sweeney | 0 – 5 | 0 – 2.5 | 0 | 16 | 16 |
| Director of Strategic Planning and Performance Ms Vicki Bibby | 0 - 5 | 0 – 2.5 | 0 | 15 | 15 |
| | | Total | 196 | 324 | 127 |

Fair Pay Disclosure (Audited):

| 2020/21 | |
|---|---------|
| Range of Staff remuneration (£'000's) | 8 - 316 |
| Band of Highest Paid Director's Total Remuneration (£'000s) | 135-140 |
| Median Total Remuneration (£) | 40 |
| Ratio | 3.4 |

Commentary

Total remuneration includes salary and benefits in kind. It does not include severance payments, employer pension contributions and the CETV of pensions.

STAFF REPORT**a) Higher Paid Employees' Remuneration (Unaudited)**

| Employees whose remuneration fell within the following ranges: | 2020/21 Number Clinicians | 2020/21 Number Other |
|---|--|-------------------------------------|
| £70,001 to £80,000 | 10 | 32 |
| £80,001 to £90,000 | 7 | 31 |
| £90,001 to £100,000 | 2 | 5 |
| £100,001 to £110,000 | 5 | 9 |
| £110,001 to £120,000 | 4 | 2 |
| £120,001 to £130,000 | 1 | 7 |
| £130,001 to £140,000 | 2 | 0 |
| £140,001 to £150,000 | 6 | 2 |
| £150,001 to £160,000 | 1 | 1 |
| £160,001 to £170,000 | 0 | 0 |
| £170,001 to £180,000 | 0 | 1 |
| £180,001 to £190,000 | 1 | 0 |
| £190,001 to £200,000 | 2 | 0 |
| £200,000+ | 5 | 0 |

b) Staff Numbers and Costs (Audited)

| | Executive Team Members £'000 | Non Executive Members £'000 | Permanent staff £'000 | Inward/ outward(-) secondes £'000 | Other staff £'000 | Total 2020/21 £'000 |
|------------------------------|---------------------------------------|--------------------------------------|-----------------------------|--|-------------------------|---------------------------|
| Staff costs | | | | | | |
| Salaries and wages | 138 | 149 | 43,264 | (1,161) | 0 | 42,390 |
| Social security costs | 18 | 9 | 4,526 | 0 | 0 | 4,553 |
| NHS pension scheme | 0 | 10 | 8,087 | 0 | 0 | 8,097 |
| employer's costs* | | | | | | |
| Inward secondees | 0 | 0 | 0 | 651 | 0 | 651 |
| Agency staff | 0 | 0 | 0 | 0 | 142 | 142 |
| Total | 156 | 168 | 55,877 | (510) | 142 | 55,833 |
| Staff Numbers (WTE's) | 1 | 11 | 986 | (8) | 3 | 981 |

Included in the total Staff numbers were disabled staff of:

| |
|----|
| 56 |
|----|

* Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in Note 14 (pg 61).

c) Staff Composition – Headcount (Unaudited)

Sex composition of Public Health Scotland permanent staff.

| | 2020/21 | | |
|---|------------|------------|-------------|
| | Male | Female | Total |
| Non-Executive Directors and Employee Director | 5 | 7 | 12 |
| Executive Director | 0 | 1 | 1 |
| Senior Employees | 62 | 77 | 139 |
| Other | 316 | 694 | 1,010 |
| Total Headcount | 383 | 779 | 1162 |

d) Sickness Absence Data (Unaudited)

| | 2020/21 |
|-----------------------|---------|
| Sickness Absence Rate | 2.1% |

e) Staff Turnover (Unaudited)

| | 2020/21 |
|---------------------|---------|
| Staff Turnover Rate | 7.3% |

f) Staff Survey

The Public Health Scotland Staff Wellbeing Survey was carried out in August 2020. The survey focused on three key areas:

- Working at Home;
- Mental Health and Work Life Balance;
- Staff Support; and
- Future Return to the Office.

There was a high level of staff engagement with a 61% response rate. This provided staff with an opportunity to express their views on the change to ways of working and the overall impact of the pandemic on their health and wellbeing.

g) Staff Policies Relating to Employment of Disabled People (Unaudited)

Public Health Scotland is an equal opportunities employer. We ensure that NHS Partnership Information Network (PIN) policies are in place for our obligations to staff within the Staff Governance standard.

We have a recruitment and selection policy which includes appropriate provision for disabled people. This policy states that we recognise that the recruitment and retention of the most suitable employees depends on demonstrating fair recruitment and selection practices, which meet or exceed all statutory requirements. All applicants or potential applicants for posts will be treated fairly and courteously in a non-discriminatory fashion. Applicants will be assessed purely on merit for the post and without reference to sex, race, marital status, religion, colour, ethnic origin, nationality, creed, disability, sexual orientation, unrelated criminal conviction, gender alignment or age. The purpose of this policy is to attract and select the best possible candidates for employment at Public Health Scotland through a fair and efficient process, which is consistent with best practice.

Equality is integral to everything we do as an organisation. We recently published the Equalities mainstreaming report, which can be found on our website at www.publichealthscotland.scot.

h) Exit Packages (Audited)

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed |
|---|--|--|
| £25,000 - £50,000 | 0 | 1 |
| £100,000 - £150,000 | 0 | 1 |
| Total number of exit packages | 0 | 2 |
| Total cost of exit packages (£000) | | <u>155</u> |

i) Trade Union Regulations (Unaudited)

| | |
|--|---|
| Number of employees who were relevant union officials during the period 1 April 2020 to 31 March 2021 | Full-time equivalent employee number |
| 14 | 2.61 |

| | |
|--|----------------------------------|
| Percentage of time spent on facility time | Number of representatives |
| 1 - 50% | 12 |
| 51-99% | 2 |

| | |
|---|-------------|
| Percentage of pay bill spent on facility time | £000 |
| Total cost of facility time | 140 |
| Total pay bill | 55,833 |
| Percentage of the total pay bill spent on facility time | 0.25% |

Paid trade union activities

| | |
|---|----|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 14 |
|---|----|

PARLIAMENTARY ACCOUNTABILITY REPORT

The Parliamentary Accountability report collates the key Parliamentary accountability documents into the annual report and accounts.

a) Losses and Special Payments

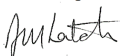
On occasion, the Board is required to write off balances which are no longer recoverable. Losses and special payments over £300k require formal approval to regularise such transactions and their notation in the annual accounts.

No losses or special payments were incurred or made in the year to 31 March 2021

b) Fees and Charges

As required in the fees and charges guidance in the SPFM, Public Health Scotland charges for services provided on a full costs basis, wherever applicable.

No service was provided over £1m in the year to 31 March 2021

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Angela Leitch
Chief Executive

Date 23 June 2021

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Public Health Scotland, 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 Public Health Scotland for the year ended 31 March 2021 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 7 January 2020. The period of total uninterrupted appointment is 1 year. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have 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 body's ability 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.

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), 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 board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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:

- considering the nature of the board's control environment and reviewing the board's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the National Health Service (Scotland) Act 1978.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the expenditure resource limits set by the Scottish Government. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk, we obtained independent confirmation of the resource limits allocated by the Scottish Government and, tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

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.

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 to detect material misstatements in the financial statements in respect of irregularities, 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 audited part of the Remuneration and Staff Report

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

Statutory other information

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

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 statutory 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 statutory 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 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 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.

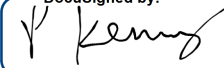
We have nothing to report in respect of these matters.

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.

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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

23 June 2021

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

| | Note | £'000 | 2020/21 £'000 |
|---------------------------------------|------|-----------|----------------------|
| Net Expenditure | | | |
| Staff Costs | 3a | 56,994 | |
| Other Operating Expenditure | | | |
| Directorate Expenditure | 3b | 23,504 | |
| Other Healthcare Expenditure | 3b | <u>76</u> | |
| Gross Expenditure for the year | | | 80,574 |
| | 4 | | |
| Less: Other operating income | | | <u>(7,135)</u> |
| Net expenditure for the year | | | <u>73,439</u> |

The primary statements and notes to the accounts, numbered 1 to 16 on the following pages, form an integral part of these accounts.


STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

| | Note | £'000 | 2020/21 £'000 |
|--|-------|---------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 7a | 806 | |
| Intangible assets | 6 | 2,484 | |
| Total non-current assets | | | <u>3,290</u> |
| Current assets | | | |
| Financial assets: | | | |
| Trade and other receivables | 8 | 3,603 | |
| Cash and cash equivalents | 9 | 350 | |
| Total current assets | | | <u>3,953</u> |
| Total assets | | | <u>7,243</u> |
| Current liabilities | | | |
| Financial liabilities: | | | |
| Trade and other payables | 10 | (6,851) | |
| Provisions (< 12 months) | 11 | (47) | |
| Total current liabilities | | | <u>(6,898)</u> |
| Non-current assets +/- net current assets/liabilities | | | <u>345</u> |
| Non-current liabilities | | | |
| Trade and other payables (>1 year) | 10 | (348) | |
| Provisions (> 12 months) | 11 | (856) | |
| | | | <u>(1,204)</u> |
| Total assets less liabilities | | | <u>(859)</u> |
| Taxpayers' equity | | | |
| General fund | SOCTE | | <u>(859)</u> |
| Total taxpayers' equity deficit | | | <u>(859)</u> |

Authorised and approved by the Board on 23 June 2021

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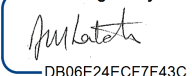


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Ms V Bibby

Director of Strategic Planning and Performance

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Ms A Leitch

Chief Executive

The primary statements and notes to the accounts, numbered 1 to 16 on the following pages, form an integral part of these accounts.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2021

| | Note | £'000 | 2020/21 £'000 |
|---|-------|----------|------------------|
| Cash flows from operating activities | | | |
| Net operating cost | SOCNE | (73,439) | |
| Adjustments for non-cash transactions | 2 | 651 | |
| Movements in working capital | 2 | 6,592 | |
| Net cash outflow from operating activities | | | (66,196) |
| Cash flows from investing activities | | | |
| Purchase of property, plant & equipment (PP&E) | 7 | (24) | |
| Purchase of intangible assets | 6 | (309) | |
| Transfer of assets from NHS Scotland bodies | | (3,591) | |
| Net cash outflow from investing activities | | | (3,924) |
| Cash flows from financing activities | | | |
| Funding | | 70,120 | |
| Movement in general fund working capital | SOCTE | 350 | |
| Cash drawn down | SOCTE | | 70,470 |
| Net financing | | | 70,470 |
| Net increase in cash/cash equivalents in period | | | 350 |
| Cash and cash equivalents at beginning of period | | | 0 |
| Cash and cash equivalents at end of period | | | 350 |
| Reconciliation of net cash flow to movement in net (debt)/cash | | | |
| Increase in cash in year | | | 350 |
| Net cash at 1 April | 9 | | 0 |
| Net cash at 31 March | 9 | | 350 |

The primary statements and notes to the accounts, numbered 1 to 16 on the following pages, form an integral part of these accounts.

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

| | General fund and total reserves £'000 |
|--|--|
| Balance at 1 April 2020 | 0 |
| Changes in taxpayers' equity for 2020/21 | |
| Transfer of assets from other bodies | 2,460 |
| Net operating cost for the year | <u>(73,439)</u> |
| Total recognised income and expense for 2020/21 | <u>(70,979)</u> |
| Funding: | |
| Drawn down | SOCF 70,470 |
| Movement in general fund | SOCF <u>(350)</u> |
| Balance at 31 March 2021 | SOFP (859) |

The primary statements and notes to the accounts, numbered 1 to 16 on the following pages, form an integral part of these accounts.

NOTES TO THE ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 27 below.

(a) Standards, Amendments and Interpretations Effective in 2020/21

In the current year, PHS has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 9: Applying IFRS 9 with IFRS 4;
- Amendment to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 1); and
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

(b) Standards, Amendments and Interpretations Early Adopted this Year

There are no new standards, amendments or interpretations early adopted in 2020/21.

(c) Standards, Amendments and Interpretations Issued but not Adopted this Year

At the date of authorisation of these financial statements, PHS has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16: Leases. HM Treasury have agreed to defer implementation until 1 April 2022;
- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023;
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023;

- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023;
- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023;
- Amendments to IAS 16: Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022;
- Amendments to IAS 37: Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022;
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2). Applicable for periods beginning on or after 1 January 2021.and
- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

PHS does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS17 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 the transparency of the reporting on capital employed.

Under IFRS 16, Lessees are required to recognise assets and liabilities for the 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 disclosed. All 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 Public Health Scotland's right to use the underlying 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-to-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

PHS has assessed the impact that the application of IFRS 16 will have on the Comprehensive Net Expenditure for the financial year ending 31 March 2022 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2021.

The standard is expected to increase total expenditure in 2021-22 by £0.1million. Right-to-use assets totalling £15.4million will be brought onto the Statement of Financial Position, with an associated lease liability of £15.4million

2. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. For further details, see Financial Performance on page 9.

3. Accounting Convention

The accounts are prepared on a historical cost basis.

4. Funding

Most of the Board's expenditure is met from funds advanced by the Scottish Government within an approved RRL. Cash drawn down to fund expenditure within this approved RRL is credited to the general fund.

All other income receivable by the Board that is not classed as funding is recognised in the year in which it is receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Non-discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific 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.

5. 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.

5.1 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 asset 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.

5.2 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.

5.2 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) assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 2) buildings installations and fittings are depreciated over the estimated life of the asset
- 3) equipment is depreciated over the estimated life of the asset.
- 4) 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 (years) |
|--|--------------------------------|
| Leasehold improvements (<i>buildings, fixtures & fittings</i>) | Length of the remaining leases |
| Furniture (<i>fixtures & fittings</i>) | 2 - 10 |
| Office and IT equipment | 3 - 5 |

6. Intangible assets

6.1 Recognition

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

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

The main classes of intangible assets recognised are as follows.

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.

6.2 Measurement

Valuation:

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

6.3 Amortisation

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

Amortisation is charged to the statement of comprehensive net expenditure on each main class of intangible asset as follows:

| Asset category/component | Useful life (years) |
|---------------------------------|----------------------------|
| Software Licences | 2 - 10 |

Amortisation is charged on a straight line basis.

8. Leasing**Operating leases**

Leases other than finance 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.

9. Impairment of Non-Financial Assets

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

10. General Fund Receivables and Payables

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

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

11. 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 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 annual leave into the following year.

Pension costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government securities. 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 determines the rate of contributions required. The most recent actuarial valuation published by the SPPA took place in the year to 31 March 2016.

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

12. 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.

13. Related Party Transactions

Material related party transactions are disclosed in Note 16 in line with the requirements of IAS 24.

14. Value Added Tax (VAT)

Some of the activities of the Board are outside the scope of VAT and, for these activities, 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.

15. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet 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.

16. 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 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed 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.

17. Corresponding amounts

There are no corresponding amounts shown for the primary statements and notes to the financial statements as this is the first year of operation for Public Health Scotland.

18. Financial Instruments

Financial assets

Classification

The Board classifies its financial assets at fair value through profit or loss

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 the Statement of Comprehensive Net Expenditure and by reducing the carrying amount of the asset in the Statement of Financial Position.

Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument and are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and Public Health Scotland has transferred substantially all risks and rewards of ownership.

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 liabilities

Classification

The Board classifies its financial liabilities at amortised cost.

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

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

19. Directorate Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. For Public Health Scotland the chief operating decision-maker has been identified as the Board. This reflects the Board's role in areas such as approving the corporate strategy and annual business plans, allocating resources and monitoring organisational performance.

Segmental information appropriate for Public Health Scotland is disclosed at Note 5. This information is provided by directorate. Working individually and collectively, the activities of the directorates are guided towards achievement of corporate objectives.

20. 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 balance sheet.

21. Foreign Exchange

The functional and presentational currencies of the Board are pounds 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.

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

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

22. 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.

PHS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. PHS makes judgements in applying accounting policies. PHS has made estimates, assumptions and judgements that have no significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year.

Judgements

For all lease agreements, PHS management has made judgement as to whether substantially the significant risks and rewards of ownership of leased assets are transferred in line with IAS 17. All leases have been assessed as operating leases.

Estimates

PHS is responsible for meeting the cost of injury benefits awards in respect of claims made by PHS employees. For the injury benefit provision, there is uncertainty on the actual costs. The provision has been calculated using life expectancy tables for Scotland and discount rates as advised by HM Treasury and the Scottish Government. On this basis, there is unlikely to be a material change between estimates and actual costs. For further detail, see note 11 on page xx.

NOTES TO THE ACCOUNTS

2. NOTES TO THE CASH FLOW STATEMENT

2a SUMMARY OF CORE REVENUE RESOURCE OUTTURN

| | | 2020/21 |
|--|-------|----------------|
| | | £'000 |
| Net Expenditure | SOCNE | 73,439 |
| Total non-core expenditure (see below) | | (691) |
| Total Core Expenditure | | 72,748 |
| Core Revenue Resource Limit | | 72,773 |
| Savings against Core Revenue Resource Limit | | 25 |

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

| | | |
|--|--|------------|
| Depreciation / Amortisation | | 651 |
| Annually Managed Expenditure – Provisions | | 40 |
| Total Non-Core Expenditure | | 691 |
| Non-core Revenue Resource Limit | | 691 |
| Savings against Non-Core Revenue Resource Limit | | 0 |

2b ADJUSTMENTS FOR NON-CASH TRANSACTIONS

| | | 2020/21 |
|------------------------------------|-------------|----------------|
| | Note | £'000 |
| Amortisation | | |
| Depreciation | 6 | 155 |
| | 7a | 496 |
| Total expenditure not paid in cash | SOCF | 651 |

NOTES TO THE ACCOUNTS

2c MOVEMENT ON WORKING CAPITAL BALANCES

| | Note | Opening balance £'000 | 2020/21 Closing balance £'000 | Net Movement £'000 |
|--|-------------|-----------------------------|--|--------------------------|
| TRADE AND OTHER RECEIVABLES | | | | |
| Due within one year | 8 | 0 | 3,603 | |
| Net (increase) | | | | (3,603) |
| TRADE AND OTHER PAYABLES | | | | |
| Due within one year | 10 | 0 | 6,851 | |
| Due after more than one year | 10 | 0 | 348 | |
| Less: intangible assets (capital) included in above | | | | |
| Less: general fund creditor included in above | 10 | 0 | (350) | |
| Net (increase) | | | | 6,832 |
| PROVISIONS | | | | |
| Statement of Financial Position | 11 | 0 | 903 | 903 |
| GENERAL FUND | | | | |
| Transfer from Other Boards | | | 2,460 | 2,460 |
| NET MOVEMENT increase | SOCF | | | 6,592 |

NOTES TO THE ACCOUNTS

3. EXPENDITURE

3a STAFF COSTS

| | 2020/21 |
|-------------------------------------|----------------|
| | £'000 |
| Medical, Dental and Pharmacy | 4,372 |
| Nursing and Health Promotion | 3,379 |
| Life Sciences | 2,857 |
| Senior Managers | 1,005 |
| Administrative and Support Services | 45,381 |
| Total | 56,994 |

SOCNE

Further detail and analysis of staff costs can be found in the Remuneration and Staff report, forming part of the Accountability Report (see pages 18-24).

3b OTHER OPERATING EXPENDITURE

| | 2020/21 |
|--|----------------|
| | £'000 |
| Directorate Expenditure | |
| Data Driven Innovation | 2,596 |
| Board Clinical and Protecting Health Place and Wellbeing | 5,139 |
| Strategy, Governance and Performance | 2,723 |
| Total | 13,046 |
| Other Healthcare Expenditure | |
| External auditor's remuneration and expenses | 76 |
| Total Other Operating Expenditure | 23,580 |

Note

SOCNE

NOTES TO THE ACCOUNTS

4. OPERATING INCOME

| | 2020/21 |
|--------------------------------------|--------------------|
| | £'000 |
| Directorate Income | |
| Data Driven Innovation | 2,273 |
| Board Clinical and Protecting Health | 972 |
| Place and Wellbeing | 3,804 |
| Strategy, Governance and Performance | 86 |
| Total Operating Income | SOCNE 7,135 |

Income Summary

| | |
|---------------------------------------|--------------|
| Income from Scottish Government | 788 |
| Income from other NHS Scotland bodies | 3,824 |
| Income from NHS non-Scottish bodies | 83 |
| Income from Non NHS customers | 2,440 |
| Total Income | 7,135 |

5. DIRECTORATE REPORTING

Segmental information as required under IFRS has been reported by directorate. This is consistent with the form of reporting to the SLT, Finance, Audit & Risk Committee and Board.

| | 2020/21 |
|--------------------------------------|---------------------|
| | £'000 |
| Data Driven Innovation | 11,160 |
| Board Clinical and Protecting Health | 17,056 |
| Place and Wellbeing | 23,150 |
| Strategy, Governance and Performance | 22,073 |
| Directorate Net Expenditure | SOCNE 73,439 |

NOTES TO THE ACCOUNTS

6 INTANGIBLE ASSETS

| | IT Software £'000 | Assets under Development £'000 | Total £'000 |
|--|-------------------------|--------------------------------------|----------------|
| CURRENT YEAR | | | |
| Cost or valuation: | | | |
| As at 1 April 2020 | 0 | 0 | 0 |
| Additions | 0 | 326 | 326 |
| Transfers from other bodies | 1,298 | 1,356 | 2,654 |
| Disposals | (496) | 0 | (496) |
| As at 31 March 2021 | 802 | 1,682 | 2,484 |
| | | | |
| Amortisation | | | |
| As at 1 April 2020 | 0 | 0 | 0 |
| Provided during the year | 496 | 0 | 496 |
| Disposals | (496) | 0 | (496) |
| At 31 March 2021 | 0 | 0 | 0 |
| | | | |
| Net book value at 1 April 2020 | 0 | 0 | 0 |
| Net book value at 31 March 2021 | 802 | 1,682 | 2,484 |

SOFP

NOTES TO THE ACCOUNTS

7a PROPERTY, PLANT AND EQUIPMENT

| | Buildings £'000 | Plant & Machinery £'000 | IT £'000 | Fixtures & Fittings £'000 | Assets Under Construction £'000 | Total £'000 |
|--|--------------------|-------------------------------|-------------|------------------------------------|---------------------------------------|----------------|
| CURRENT YEAR | | | | | | |
| Cost or valuation | | | | | | |
| At 1 April 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 24 | 24 |
| Transfers from other bodies | 691 | 0 | 5 | 241 | 0 | 937 |
| At 31 March 2021 | 691 | 0 | 5 | 241 | 24 | 961 |
| Depreciation | | | | | | |
| At 1 April 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 99 | 0 | 1 | 55 | 0 | 155 |
| At 31 March 2021 | 99 | 0 | 1 | 55 | 0 | 155 |
| Net book value at 1 April 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book value at 31 March 2021 | 592 | 0 | 4 | 186 | 24 | 806 |
| | | | | | | SOFP |
| Asset financing: | | | | | | |
| Owned | 592 | 0 | 4 | 186 | 24 | 806 |
| Net book value at 31 March 2021 | 592 | 0 | 4 | 186 | 24 | 806 |

7b ANALYSIS OF CAPITAL EXPENDITURE

EXPENDITURE

| | Note | 2020/21 £'000 |
|--|------|------------------|
| Acquisition of intangible assets | 6 | 326 |
| Acquisition of property, plant and equipment | 7a | 24 |
| Capital Expenditure | | 350 |

SUMMARY OF CAPITAL RESOURCE OUTTURN

| | |
|--|----------|
| Core capital expenditure | 350 |
| Core Capital Resource Limit | 350 |
| Savings against Core Capital Resource Limit | 0 |

NOTES TO THE ACCOUNTS

8. TRADE AND OTHER RECEIVABLES

| | £'000 | 2020/21 £'000 |
|---|--------------|------------------|
| Receivables due within one year | | |
| NHS Scotland | | |
| SGHSCD | 1,019 | |
| Boards | 1,504 | |
| Total NHS Scotland debtors | <u>1,504</u> | 2,523 |
| NHS non-Scottish bodies | 9 | |
| VAT recoverable | 277 | |
| Prepayments | 102 | |
| Accrued Income | 24 | |
| Other receivables | 60 | |
| Other Public Sector Bodies | 608 | |
| Total receivables due within one year | <u>608</u> | 1,080 |
| Total receivables (denominated in pounds sterling) | SOPF | 3,603 |
| Whole of Government Accounts classification | | |
| NHS Scotland | | 1,504 |
| Balances with Scottish Government | | 1,019 |
| Balances with NHS bodies in England and Wales | | 9 |
| Balances with bodies external to Government | | 2,090 |
| Total | | 3,603 |

Receivables that are less than three months past due are not considered impaired. As at 31 March 2021, receivables with a carrying value of £2.8m were past their due date but not impaired. The aging of receivables past their due date but not impaired is as follows:

| | 2020/21 £'000 |
|-------------------------|------------------|
| Up to 3 months past due | 2,808 |
| 3 to 6 months past due | 31 |
| Total | 2,839 |

Concentration of credit risk, is limited due to customer bases being large unrelated / government bodies. Due to this management believe that there is no future credit risk provision required.

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

NOTES TO THE ACCOUNTS

9. CASH AND CASH EQUIVALENTS

| | At 1/4/20 £'000 | Cash flow £'000 | At 31/3/21 £'000 |
|--|-----------------------|-----------------------|------------------------|
| Current year | | | |
| Government Banking Service account | 0 | 333 | 333 |
| Cash at bank and in hand | 0 | 17 | 17 |
| Total cash and cash equivalents | 0 | 350 | 350 |

SOFP, SOCF

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

10. TRADE AND OTHER PAYABLES

| | £'000 | 2020/21 £'000 |
|--|-------|------------------|
| Payables due within one year | | |
| NHS Scotland | | |
| SGHSCD | 193 | |
| Boards | 714 | |
| Total NHS Scotland payables | | 907 |
| NHS non-Scottish bodies | 16 | |
| General fund payable | 350 | |
| Trade payables | 628 | |
| Accruals | 1,358 | |
| Deferred Income | 267 | |
| Income tax and social security | 1,191 | |
| Superannuation | 1,046 | |
| Holiday pay accrual | 638 | |
| Other public sector bodies | 379 | |
| Other payables | 71 | |
| Total payables due within one year | | 5,944 |
| Payables due after more than one year | | 348 |
| Total payables (denominated in pounds sterling) | SOFP | 7,199 |
| Whole of Government Accounts classification | | |
| NHS Scotland | | 714 |
| Central Government bodies | | 193 |
| Balances with NHS bodies in England and Wales | | 16 |
| Balances with bodies external to Government | | 6,276 |
| Total | | 7,199 |

The carrying amount of short term payables is in pounds sterling and approximates their fair value.

NOTES TO THE ACCOUNTS

11. PROVISIONS

| | Note | Injury Benefit £'000 | Participation in CNORIS £'000 | 2020/21 £'000 |
|----------------------------|------|-------------------------|----------------------------------|------------------|
| At 1 April 2020 | | 0 | 0 | 0 |
| Arising during the year | SOCF | 921 | 40 | 961 |
| Utilised during the year | | (55) | (3) | (58) |
| Reversed Unutilised | | - | - | - |
| At 31 March 2021 | | 866 | 37 | 903 |
| | | £'000 | £'000 | £'000 |
| Payable in one year | | 38 | 9 | 47 |
| Payable between 2-5 years | | 154 | 23 | 177 |
| Payable between 6-10 years | | 202 | 2 | 204 |
| Thereafter | | 472 | 3 | 475 |
| At 31 March 2021 | | 866 | 37 | 903 |

Injury Benefit

The Board has provided for awards under the permanent injury benefits scheme, in discussion with the Scottish Government under the AME provision resource limit. The provision is based on information and advised annual rates provided by the SPPA, under the NHSSS and estimated remaining lives of recipients derived from interim life tables for Scotland produced annually by National Statistics which give period life expectancy by age and sex. Each life table is based upon population estimates, births and deaths data for a period of three consecutive years. The sum provided is recalculated annually based upon changes in their annual rates and period life expectancy at the balance sheet date. As the period life expectancies are typically for a considerable number of years during which the claimants will receive payments the actuarially calculated amounts are discounted using the provision discount rate as set by HM Treasury, which was (0.8)% as at the balance sheet date. As at the balance sheet date the average life expectancy for those included in the provision was 23 years.

Participation in CNORIS

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 e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS Board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. 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. As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHS Scotland has been made. NHS Scotland has no clinical or other claims under CNORIS at 31 March 2021 and hence

NOTES TO THE ACCOUNTS**11. PROVISIONS (cont)**

has £nil against the first provision element of CNORIS as described above. Public Health Scotland has made a £37,000 provision at 31 March 2021 in respect of the Board's share of the total CNORIS liability on NHS Scotland as noted above.

12. EVENTS AFTER THE END OF THE REPORTING YEAR

There have been no events after the end of the reporting period which have a material effect on these accounts.

13. 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.

2020/21
£'000

Obligations under operating leases comprise:**Buildings**

| | |
|---|-------|
| Not later than one year | 3,358 |
| Later than one year, not later than two years | 3,327 |
| Later than two years, not later than five years | 6,267 |
| Later than five years | 5,766 |

Total 18,718

NOTES TO THE ACCOUNTS**14. PENSION COSTS**

NHS Health Scotland participates in the NHS Superannuation Scheme Scotland (NHSSS). 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 (completed in 2018/19) with the next valuation will be as at 31 March 2020 (completed in 2022/23) which will set contribution rates from 1 April 2024.

NHS Health Scotland has no liability for other employers obligations to the multi-employer scheme.

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

- (i) The scheme is an unfunded multi-employer defined benefit scheme.
- (ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NHS Health Scotland is unable to identify its share of the underlying assets and liabilities of the scheme.
- (iii) The employer contribution rate for the period from 1 April 2020 will be 20.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.
- (iv) At the last valuation a shortfall of £2.2 billion was identified in the notional fund which resulted in the increase in the employer contribution from 14.9% to 20.9% from 1 April 2019.

For 2020/21, normal employer contributions of £8,087k were payable to the SPPA at the rate of 14.9% of total pensionable salaries. During the accounting period the Board incurred additional costs of £40k arising from early retirements. The expected contributions for 2021/22 are ££8.371k.

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2018-10 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland) 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.

NOTES TO THE ACCOUNTS

14. PENSION COSTS (CONT)

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the SPPA web site at www.sppa.gov.uk.

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), 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 £5,876 up to £45,000, 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 |
|------------------|-----------------------|-----------------------|--------------------|
| 1st March 2013 | 1% | 1% | 2% |
| 1st October 2018 | 3% | 2% | 5% |
| 1st 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.

| | |
|--|----------------|
| | 2020/21 |
| | £'000 |
| Pension cost charge for the year | 8,097 |
| Additional costs arising from early retirement | 40 |
| Provisions/liabilities/prepayments included in the Statement of Financial Position | 866 |

NOTES TO THE ACCOUNTS

15. FINANCIAL INSTRUMENTS

(a) FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

AT 31 MARCH 2021

Assets per Statement of Financial Position

Trade and other receivables excluding prepayments,
reimbursements of provisions, VAT recoverable and
amounts due from other Boards

Cash and cash equivalents

| | Note | Financial Assets at fair value through OCI £'000 | Total £'000 |
|--------------|------|--|----------------|
| | 8 | 701 | 701 |
| | 9 | 350 | 350 |
| Total | | <u>1,051</u> | <u>1,051</u> |

Financial liabilities

AT 31 MARCH 2021

Liabilities per Statement of Financial Position

Trade and other payables excluding statutory liabilities
(VAT and income tax and social security), deferred income,
superannuation and amounts due to other Boards

| | Note | Financial Liabilities at amortised cost £'000 | Total £'000 |
|--------------|------|---|----------------|
| | 10 | 4,222 | 4,222 |
| Total | | <u>4,222</u> | <u>4,222</u> |

NOTES TO THE ACCOUNTS**15. FINANCIAL INSTRUMENTS (cont)****(b) FINANCIAL RISK FACTORS****Exposure to risk**

The activities of Public Health Scotland 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 Board might not have funds available to meet its commitments to make payments

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the 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 policy, and operates a risk management strategy (adhering to the requirements of the SPFM) as disclosed within the governance statement.

Credit risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

Liquidity risk

The Scottish Parliament makes provision for the use of resources by the 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 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.

NOTES TO THE ACCOUNTS

15. FINANCIAL INSTRUMENTS (cont)

| AT 31 MARCH 2021 | Less than 1 year £'000 | Between 1 & 2 Years £'000 |
|--|---------------------------------|------------------------------------|
| Trade and other payables excluding statutory liabilities | 3,874 | 348 |
| Total | 3,874 | 348 |

Market risk

The 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 Board in undertaking its activities.

- **Cash flow and fair value interest rate risk**
the 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.
- **Foreign currency risk**
the Board is not exposed to foreign exchange rates.
- **Price risk**
the Board is not exposed to equity security price risk.

(c) FAIR VALUE ESTIMATION

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

NOTES TO THE ACCOUNTS**16. RELATED PARTY TRANSACTIONS**

SGHSCD is the ultimate parent of PHS and listed below material transactions with other SGHSCD departments in year.

| | £000 |
|--------------------------------------|-------------|
| Income from Scottish Government | 1,253 |
| Expenditure with Scottish Government | 403 |

There are no interests of Board Members, senior managers and other senior staff in contracts or potential contractors with the Board which require disclosure under International Accounting Standard (IAS) 24.

DIRECTION 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 Public Health Scotland by virtue of the Public Health Scotland Order 2019, and all other powers enabling them to do so, hereby DIRECT that:

1. Public Health Scotland 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, Public Health Scotland must use the Public Health Scotland 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, Public Health Scotland 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 Public Health Scotland 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. Public Health Scotland 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,

“Public Health Scotland” is a Special Health Board for the whole of Scotland constituted under the Public Health Scotland Order 2019 (S.S.I 2019/336),

“Public Health Scotland Annual Accounts template” means the Excel spreadsheet issued to Public Health Scotland 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

8 June 2021