



GRAMPIAN HEALTH BOARD  
Annual Report & Accounts  
Year Ended 31st March 2016



**GRAMPIAN HEALTH BOARD**  
**(Commonly known as NHS Grampian)**

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 MARCH 2016**

# GRAMPIAN HEALTH BOARD

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# GRAMPIAN HEALTH BOARD

## ANNUAL REPORT

### PERFORMANCE REPORT

#### a) OVERVIEW

##### 1. Statement from the Chief Executive

2015/16 was a challenging year for the Board but also one of significant achievement. We successfully delivered our financial targets for the year with efficiency savings of £25m reinvested in front line services to enable a marked improvement in service quality and performance in key areas such as cancer and unscheduled care.

Preparing for health and social care integration was a key area of focus, working closely with local authority and third sector partners to achieve the delegation of key health and social care functions to the new Integration Joint Boards within the prescribed timescales. Other key areas of achievement included implementation of our unscheduled care programme with 95% of all patients consistently seen at our Emergency Departments within four hours and our work on patient flow and to redesign services in the community delivering an overall reduction in the number of delayed discharges. 2015/16 also saw an improvement in access to cancer services following a significant injection of resources both in terms of additional staffing and through targeted investment in the equipping and staffing of a new endoscopy service at the Aberdeen Health and Community Care Village.

Primary care services continue to respond to pressures arising from demographic change, changes in clinical practice and increased patient expectations by developing revised ways of working, strengthening the multidisciplinary team approach and encouraging greater involvement of patients and the population as a whole to take responsibility for the improvement of health and the delivery of local healthcare. During the year we have invested significantly again in both revenue and capital terms in order to ensure that the local population continue to enjoy access to quality primary care services during this period of transition.

We have started the process of engagement with our clinical community and also involving all stakeholders including patient forums on the development of an updated Clinical Strategy for Grampian. This will build on the previous 2020 vision and provide a blueprint for healthcare in the region for the next ten years and beyond. The strategy will place emphasis on the role of technology and partnership working in the development of a person centred healthcare system that delivers care to patients as close as possible to their own homes.

The dedication and professionalism shown by our staff throughout the year has been a key enabler to the delivery of the service change agenda that has resulted in the key improvements to patient care we have successfully introduced throughout the year. The Board remain fully committed to the partnership working philosophy and have welcomed the support and contributions from the Professional Advisory structure and Grampian Area Partnership Forum during the year. We are also fully committed to retaining and developing our staff and have continued to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps and to support leadership development in our workforce. This will remain a priority for us in future years.

##### 2. Background and Principal Activities

Grampian Health Board is responsible for leading efforts to improve the health of the people in Grampian, and for providing the health care services that people need. It is the fourth largest health board in Scotland by general funding allocation, and consists of three Integration Joint Boards (IJB's) covering Aberdeen City, Aberdeenshire and Moray, a Mental Health Sector, an Acute Sector and a Public Health Directorate all supported by services such as Facilities, E-Health, Finance and Human Resources. The IJB's were formally established on 6 February 2016 and are legally constituted cross sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities. Executive and Non Executive Directors of the NHS Grampian Board are members of the Integration Joint Boards which will provide the future strategic direction for the integration of adult health and social care.

##### 3. Performance

NHS Grampian has a performance framework through which a culture of continuous performance improvement is supported and delivery of our Healthfit 2020 is progressed. Our vision, proudly working together to improve our health, is supported by a set of strategic themes:

# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

### a) OVERVIEW (cont)

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

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

We use a range of national and local measures and targets to encourage and track improvement. These include the key performance indicators used by the Scottish Government Health and Social Care Directorates (SGHSCD) to hold Boards to account known as Local Delivery Plan standards.

NHS Grampian's performance is reviewed in public each year at an Annual Review meeting. The outcome of the Annual Review is captured in a formal letter to the Board. The 2015/16 Annual Review meeting took place on 10 August 2015.

In March 2015, the Board adopted the Care Quality Commission's characteristics of a high performing organisation in performance reporting. Reporting now focuses on measures which demonstrate that the system is Safe, Well Led, Effective, Responsive and Caring.

### 4. Risk and Uncertainty

The Board's Local Delivery Plan summarises the key risks facing NHS Grampian in future years and how these will be mitigated. The key challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services and a high standard of operational performance whilst remaining in financial balance and achieving our financial targets.

Key identified risks include the impact of changing demographics with both overall population numbers and the proportion of elderly in the population rising year on year and this trend is forecast to continue.

Other identified risks include the impact of a buoyant local employment market and higher than average property costs on the ability to recruit and retain staff, cost of new drug therapies, rising costs of energy and climate change levies such as the Carbon Reduction Commitment Scheme and the need to invest to modernise our ageing infrastructure and equipment base.

Moving forward the Board will continue to build on the many positive changes and initiatives achieved in recent years and will strengthen partnerships with the local authorities and the third sector. Establishment of the Integrated Joint Boards will provide a focus for engagement in determining the future configuration of services through the development of a joint clinical strategy.

### b) PERFORMANCE ANALYSIS

#### 1. Financial Performance and Position

The Annual Accounts consolidate the results of Grampian Health Board and Grampian Health Board Endowment Funds in line with IAS 27. Consolidated net assets are £450.686 million (2014/15: £491.566 million). Of this total the net assets of Grampian Health Board were £409.387 million (2014/15: £446.857 million) and the net assets of Grampian Health Board Endowment Funds were £41.299 million, £6.137 unrestricted and £35.162m restricted (2014/15: £44.709 million, £7.244 unrestricted and £37.465 restricted). Grampian Health Board Endowment Funds reported a net adverse movement in funds of £3.410m for the year (2014/15: favourable £2.116 million). These results do not however form part of the statutory financial target set for NHS Boards by the (SGHSCD) and are therefore not taken in to account when considering the Boards in year financial performance.

The three annual financial targets set for each Health Board by the SGHSCD are:

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

# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

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

|                                 | <b>Limit as set<br/>by SGHSCD<br/>£000</b> | <b>Actual<br/>Outturn<br/>£000</b> | <b>Variance<br/>Under<br/>£000</b> |
|---------------------------------|--|------------------------------------|------------------------------------|
| Core Revenue Resource Limit     | 927,245                                    | 927,102                            | 143                                |
| Non Core Revenue Resource Limit | 36,214                                     | 36,214                             | -                                  |
| Core Capital Resource Limit     | 11,249                                     | 11,249                             | -                                  |
| Cash Requirement                | 994,653                                    | 994,653                            | -                                  |

| <b>Memorandum for In Year Out-turn</b>               | <b>£000</b>  |
|--|--------------|
| Brought forward surplus from previous financial year | (137)        |
| Outturn against in year Revenue Resource Limit       | (6)          |
| <b>Net Saving against Revenue Resource Limit</b>     | <b>(143)</b> |

An in-year surplus of £6,000 was recorded for the year against a target of breakeven. The efficiency savings target of £25.053 million for the year was achieved in full. Recurring savings amounted to £16.396 million and non-recurring of £8.506 million.

## 2. Property Valuation

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2016. The values were calculated in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS and applied to reflect local market conditions at 31 March 2016. The revaluation of land and buildings resulted in a net decrease of £26.574m in the carrying value of these assets, (2014/15 increase of £23.812m), of which £23.851m was recognised within other comprehensive net expenditure and charged against the revaluation reserve (2014/15 increase of £24.377) and £2.722m (2014/15 £0.565m) was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure. The Scottish Government Health Directorates have provided additional non recurring funding to compensate for this charge.

## 3. Infrastructure and Non Current Assets

The Board delivered a programme of infrastructure investment totalling £21.5 million during 2015/16. This overall programme was resourced using a combination of capital funding from the SGHSCD (£11.249m see note 9), income from donations for capital projects (£3.751m), revenue budgets made available to support estates maintenance (£4.122m) and proceeds from asset disposals (£2.397m).

Major investments during the year include:

- Establishment of a new Endoscopy service at the Aberdeen Health and Community Care Village to assist in reducing cancer waiting times (£1.5m).
- Establishing the first robotically assisted surgical service in Scotland at Aberdeen Royal Infirmary (£1.6m) partly funded by UCAN the Urological Cancer Charity.
- Upgrade of the two former Emergency Department Theatres at ARI (£1.9m).
- Purchase of Brimmond Health Centre to ensure continuity of service (£0.4m).

# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

- Investment of £6.3m to progress our agreed programme to reduce high and significant risk backlog maintenance across our estate including completion of the refurbishment of three of the clinical floors in the Phase 2 block at Aberdeen Royal infirmary.
- Investment during the year of £5.1m in replacement of essential plant, IT and medical equipment.
- Enabling works for key infrastructure projects in order to allow these key developments to commence on site during 2016//17. These projects included the multi storey car park at Aberdeen Royal Infirmary which will be funded entirely by a charitable donation from the Wood Foundation, a new MRI scanner at Woodend hospital to be funded entirely by a charitable donation from the Craig Group and replacement Health Centres at Inverurie and Foresterhill to be progressed under the Hub initiative.
- Final agreement on an energy performance contract with a specialist private sector firm was reached in December 2015. The contract involves NHS Grampian leasing the energy infrastructure from our private sector partner who in turn are contractually committed to deliver a guaranteed reduction in energy consumption and a corresponding reduction in carbon emissions of 16%. The scheme will deliver a range of energy efficiency measures at Foresterhill, Dr Grays and Royal Cornhill Hospitals.

#### 4. Counter Fraud Services

During the year, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for Grampian indicates that the level of income from dental and ophthalmic charges in the year to 31 December 2015 could potentially have been £0.4 million (2014: £0.5 million) due to incorrect claims.

#### 5. Social Community and Human Rights

The Board promotes equality and celebrates diversity both in the services provided and within the organisation taking our duty to promote equality and diversity in the wider community very seriously. The challenge for the Board is to maintain the excellent progress achieved to date, taking forward work for all 9 “protected characteristics” which make up equality and diversity. These “protected characteristics”, as defined by the Equality Act 2010 are: race, disability, age, sex (male or female), sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership and religion or belief.

The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports include the following key updates on progress:

- An Equality Outcomes Update Report published in April 2015;
- A “Mainstreaming” Update Report published in April 2015;
- An NHS Grampian Gender Pay Gap Report; and
- Annual Equality and Diversity Workforce Monitoring Reports.

#### 6. Performance Indicators

The key performance indicators used by the SGHSCD to hold Boards to account are known as Local Delivery Plan standards. In addition we use a range of local measures and targets to encourage and track improvement. A full report on performance against these targets is considered at each Board meeting with a focus on measures which demonstrate that healthcare across Grampian is *Safe, Well Led, Effective, Responsive and Caring*. Performance is also reviewed in public each year at an Annual Review meeting.

The following information summarises performance against selected key indicators. A full performance report can be accessed with the papers for each Board meeting at the following [link](#)

##### 6.1 Performance against Key Targets

###### Safe

Cleanliness and good clinical practice are high priorities for NHS Grampian. The Board receives regular reports on all aspects of Healthcare Associated Infection and reducing infection.

# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

Performance against key indicators is summarised below:-

- The number of staphylococcus aureus bacteraemia (including MRSA) has fallen over recent years but increased in the quarter to December 2015 to 0.27 per 1000 occupied bed days which is above the planned level of 0.24. This performance however continues to compare favourably to the Scottish average of 0.32.
- The rate of Clostridium Difficile infections in people over the age of 15 rose to 0.33 per 1000 occupied bed days in the year to December 2015, slightly exceeding the target of 0.32.
- Hospital Standardised Mortality Rates (HSMR) is a measure relating observed deaths in hospital with predicted deaths. Aberdeen Royal Infirmary has recorded an HSMR of 0.83 for the quarter ending December 2015 and has consistently reported an HSMR lower than 1, i.e. observed deaths have been lower than predicted deaths since, December 2006. Dr Gray's Hospital, by contrast, has recorded an HSMR of 1.16, the highest recorded for almost six years, and has now recorded five successive quarters with the ratio at or above 1. A subsequent review of the reasons behind this increase in reported deaths at Dr Grays Hospital has identified that several were cancer related, which would normally be excluded from the HSMR reporting. A number of actions have recently been agreed, with the support of Information Services Division (ISD) and Healthcare Improvement Scotland (HIS), to refine the available metrics and improve the coding and analysis of information to help identify the areas where we can focus improvement efforts.
- The Board participates fully in the Scottish Patient Safety Programme, which aims to improve the safety and reliability of healthcare and reduce harm, wherever care is delivered. This has been rolled out beyond the original acute setting to mental health, maternity services and primary care. There continues to be rigorous auditing of compliance with hand washing and cleanliness.

#### Well Led

NHS Grampian has successfully achieved each of the three financial performance targets for the year (see section 1 *financial performance and position* on page 3 above).

NHS Grampian reported a sickness absence rate of 4.62% for the year to March 2016 (see section 4 of the *Staffing Report* on page 22 below). Although this is above the national target of 4% it continues to compare favourably to the overall Scottish average of 5.16%.

#### Effective

NHS Grampian continues to make progress in the delivery of many national health and wellbeing targets and takes action where performance is lower than expected. Performance against selected key indicators is summarised below:-

- NHS Grampian delivered 562 successful smoking quits at 12 weeks in the 40% most deprived areas in the period to December 2015. This is below the planned level of 716 for the period and 955 for the year to March 2016.
- NHS Grampian met its target for delivery of Alcohol Brief Interventions (ABI) across the area in 2015/16 although Aberdeenshire and Moray levels are lower than plan. Achievement of ABI targets is almost entirely through General Practice and Sexual Health Services activity.
- The target for inequalities targeted cardiovascular health checks was greatly exceeded with 1,954 checks undertaken against a target of 1,450.
- Breastfeeding at 6 weeks continued to increase although there are variations by area. At 35.3% the rate is slightly below plan but is the third highest rate in Scotland.
- Boards are expected to reduce the rate of emergency inpatient bed days utilised by those aged 75 and over. Since 2009 there has been a reduction of 21% in Grampian compared to 10% across Scotland.



# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

- NHS Grampian's new: return outpatient ratio varies significantly between specialties and according to benchmarking data is an area where there is scope for improvement. Similarly at 76.5%, NHS Grampian has the lowest day case rate in Scotland. Addressing this is being taken forward with specialties within the acute sector.
- At 81.6%, NHS Grampian has the second highest performance in Scotland relating to patients receiving an 'appropriate stroke bundle'. Performance against access to a stroke unit within 24 hours improved but was slightly below the 90% target at 87.7%.

### Responsive

NHS Grampian is expected to deliver against a range of access time standards and efficiency measures. Performance against selected key indicators is summarised below:-

- In March 2016, 97.5% of people who started their first specialist drug treatment and 90% who started alcohol treatment waited 3 weeks or less.
- Delivery of the national 4 hour standard for discharge or admission, following arrival at Accident and Emergency has greatly improved in 2015/16. 95% of patients have achieved the target on a monthly basis since March 2015. This measure is a good indicator of flow across the whole system, with delays in discharge impacting on the ability to admit. The number of delayed discharges in Grampian remains high in Scottish terms but there have been significant reductions throughout 2015/16. Numbers did not increase as usual over the winter period.
- We are continuing to report breaches of the 18 week Treatment Time Guarantee but numbers are reducing. At the end of March 2016 359 breaches were reported. The number waiting more than 12 weeks for a first outpatient appointment has also fallen substantially with 3,957 breaches reported against a plan of 4,819.
- Patients referred urgently with a suspicion of cancer should begin treatment within 62 days (95%) and those diagnosed with cancer should begin treatment within 31 days of the decision to treat. NHS Grampian met the 31 day standard in the quarter to December 2015 and it is expected this position will be sustained. Delivery of the 62 day standard is lower than in other Scottish Boards. We have invested significantly in additional theatre and staffing capacity and are working closely with Scottish Government to deliver sustainable improvement.
- 90% of patients referred for Psychological Therapies are to start treatment within 18 weeks. Performance has been gradually improving with the quarter 3 to December 2015 achieving 71.2%.
- 90% of referrals to Child and Adolescent Health Services should be seen within 18 weeks. Performance in the quarter to December 2015 was 49.6%, the second lowest in Scotland. The service continues to experience severe recruitment difficulties and is working with Integration Joint Boards and local authorities to redesign.
- NHS Grampian has a new outpatient "Did Not Attend" rate of 6.1% which is the fourth lowest in Scotland. This may be linked to the lower deprivation in Grampian, as the Scotland data shows people living in the most deprived areas are much more likely not to attend outpatient.

### Caring

NHS Grampian aims to be an organisation that is caring, listening and improving. We do this through a variety of involvement and engagement mechanisms including extensive patient and public involvement in key Board activities. Since 2011 we have had a small team working on the person centred quality ambition. One of the aims of the team has been to increase the ways in which people can provide feedback about care and services. The manner in which learning and change can result from feedback has been explored and strengthened.

# GRAMPIAN HEALTH BOARD

## PERFORMANCE REPORT (cont)

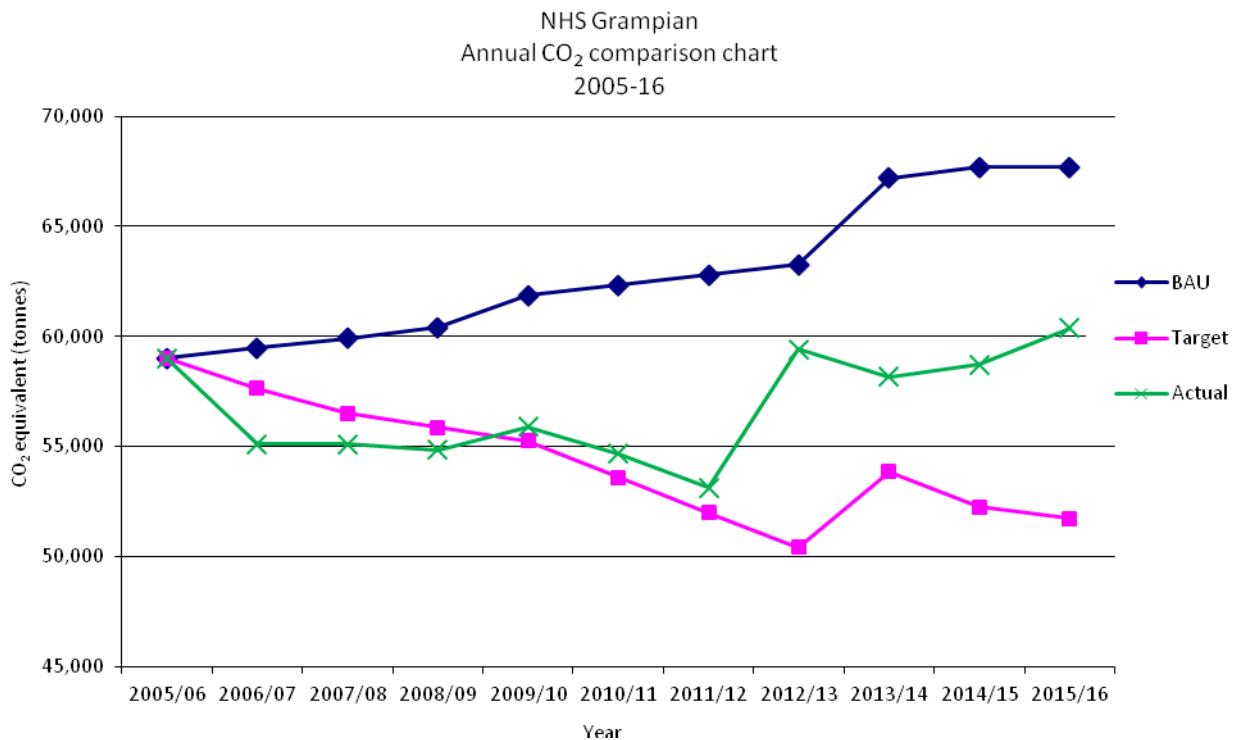
### b) PERFORMANCE ANALYSIS (cont)

#### 7. Sustainability and the Environment

##### Energy Efficiency

As part of the Climate Change Act (Scotland) 2009 the Scottish Government is targeting a minimum cut of 42% in fossil fuel CO<sub>2</sub> emissions by 2020. In order for this target to be realised NHS Grampian would require a significant paradigm shift across the whole asset base in how energy is utilised, produced and both now and moving forwards with increasing energy demands within an ageing building assets and increased service provision.

Figure 1; below illustrates NHS Grampian's development from 2005 up to and including 2015/16 against an estimation of projected emissions if no action were taken, based on business as usual (BAU)



A range of initiatives aimed at improving our carbon efficiency are outlined in the Board's Property and Asset Management Strategy and include the following initiatives:

1. All future buildings will be designed to achieve the Building Research Establishment Environmental Assessment Method (BREEAM) Healthcare excellent rating for new build and very good rating for refurbishment;
2. Future buildings including the Anchor and Baird to include climate change adaption model as part of the design phase;
3. New fuel efficient boilers utilising a "environmentally cleaner" energy at Woodend Hospital;
4. Replacement Boilers at Dr Grays Hospital are more energy efficient;
5. Energy link between Foresterhill site Energy Centre and Royal Cornhill Hospital (RCH) servicing all of RCH's energy requirements, obviating the need to replace the existing boiler plant at RCH, whilst increasing the efficiency of the energy plant on the Foresterhill site:
  - Replacement of approximately 6,000 lighting units to LED's where appropriate;
  - Replacement of chiller units across various locations on the RCH and Foresterhill sites;
  - Combined affect resulting in a reduction of CO<sub>2</sub> equivalent emissions of 5,700 tonnes p.a.; and

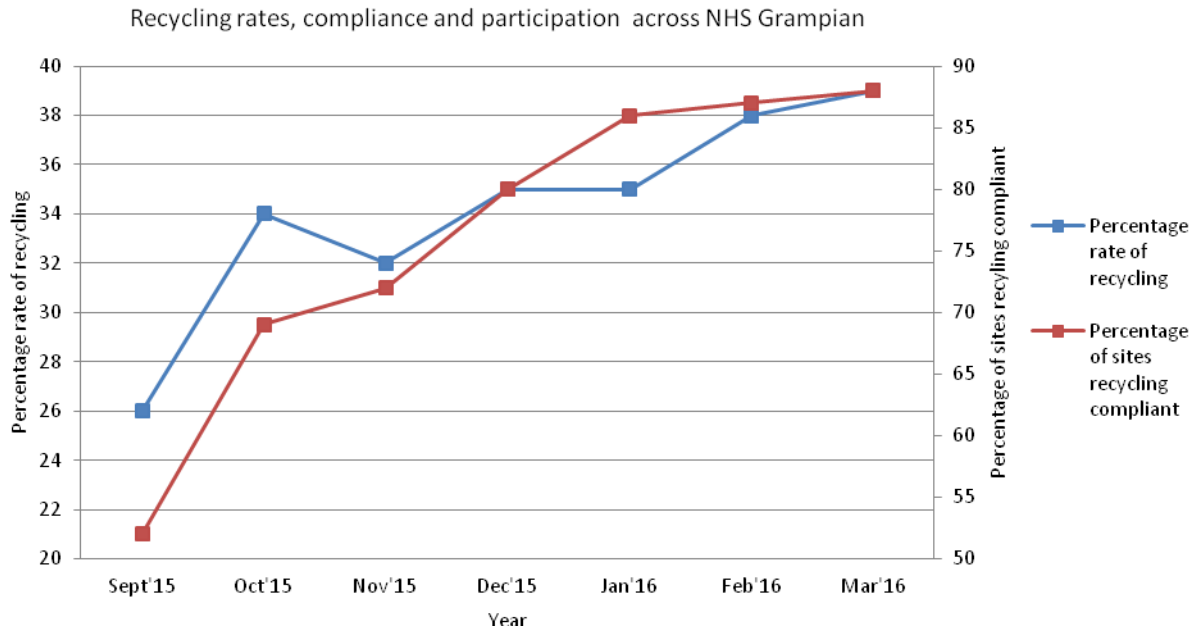
## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

6. NHS Grampian Energy Awareness campaign, aiming to increase staff awareness and resulting in a paradigm shift in relation to energy usage and therefore result in a decreased energy usage.

#### Waste Management

The Waste (Scotland) Regulations 2012 set minimum recycling standards for all NHS Boards of which the latest addition from January 2016 onwards is to ensure that no food waste is to go down food macerators and onto the mains drain out with "rural" areas and for separate arrangements to be in place for the collection of food waste. The separation of food waste is in place across NHS Grampian and installation of appropriate food separation collection equipment in the form of food dewaterers is currently being progressed across the three main sites.



In addition to these new targets the cost of disposing of waste is increasing year on year therefore resulting in a significant pressure to reduce waste across all aspects of our operations.

Figure 2 above demonstrates both the increased rate of recycling as well as the increased percentage compliance in relation to the number of sites which are recycling key materials as per the waste regulations, thus illustrating the improvements that NHS Grampian has had in relation to its recycling over the past 12 months.

The following ongoing initiatives are aimed at improving our waste efficiency:

- Installation of new equipment to enable separation and efficient collection of food waste across all relevant sites;
- NHS Grampian Waste Awareness campaign, aiming to increase staff awareness, resulting in increased rates of recycling and a decrease in the miss identification of waste into the incorrect waste streams;
- Increased uptake of the Warp-IT scheme; an initiative that reduces waste by encouraging the re-distribution of surplus equipment and materials such as office furniture and stationery; and
- Continued development of plans to ensure remaining sites have a full recycling system in place, including communication with staff, patients and visitors.

**Mr Malcolm Wright**  
Chief Executive  
Grampian Health Board

# GRAMPIAN HEALTH BOARD

## ACCOUNTABILITY REPORT

### a) CORPORATE GOVERNANCE REPORT

### i) THE DIRECTORS' REPORT

#### 1. Naming Convention

NHS Grampian is the common name of Grampian Health Board.

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

#### 2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 28 June 2016.

#### 3. Going Concern

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

#### 4. Accounting Convention

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Annual Accounts consolidate the results of the Grampian Health Board Endowment Funds (operating as NHS Grampian Endowment Funds.) The basis of consolidation used is Merger Accounting. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 70 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts.

#### 5. Appointment of Auditor

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2011/12 to 2015/16, the Auditor General appointed Deloitte LLP, to undertake the audit of Grampian Health Board. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

The Trustees of NHS Grampian Endowment Funds appointed Deloitte LLP as external auditor, effective for the financial years 2011/12 to 2015/16.

#### 6. Role of the Board

Grampian Health Board was established in 1972 under the National Health Services (Scotland) Act 1972 and is responsible for commissioning services for the residents of Grampian, a total population of over half a million people.

NHS Boards form a local health system, with single governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The role of the Board is to:

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

# GRAMPIAN HEALTH BOARD

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

All Board members are also trustees of the NHS Grampian Endowment Funds which was established by the NHS (Scotland) Act 1978 and is a Registered Charity subject to the legal framework of the Charities and Trustee Investment (Scotland) Act 2005.

The charitable purpose of NHS Grampian Endowment Funds is to enhance healthcare and patient welfare in Grampian, through:

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

### 7. Board Membership

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

**Chair :** Professor Stephen Logan

**Vice Chair :** Mrs Christine Lester

#### Non-Executive Members:

Mr David Anderson  
Mrs Rhona Atkinson  
Mr Raymond Bisset  
Councillor Stewart Cree  
Councillor Barney Crockett  
Councillor Martin Kitts-Hayes (from 8 June 2015)  
Mrs Sharon Duncan  
Professor Mike Greaves  
Dr Lynda Lynch  
Mr Terry Mackie  
Dr Helen Moffat  
Mr Jonathan Passmore  
Councillor Anne Robertson (to 8 June 2015)  
Mr Eric Sinclair

#### Executive Members:

Mr Malcolm Wright Chief Executive  
Dr Nick Fluck Medical Director  
Mr Alan Gray Director of Finance  
Mrs Amanda Croft Director of Nursing, Midwifery and AHP's (from 1 September 2015)

The Board members' responsibilities in relation to the accounts are set out in a statement on page 12.

### 8. Board Members' Interests

The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public by contacting the Legal Advisor on 01224 558496. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2015/16 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds that required disclosure in the accounts under IAS 24.

# GRAMPIAN HEALTH BOARD

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

### 9. Disclosure of Information to Auditor

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

### 10. Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 23 and the Remuneration Report.

### 11. Remuneration for Non Audit Work

Deloitte LLP, the Board's external auditor, received £31,620 during 2015/16 for work that was not related to the audit of the consolidated financial statements (2014/15 £7,200). This included £9,000 to carry out an independent review of the Board's Clinical Governance arrangements, £8,820 for specialist advice on the taxation liability related to Out of Hours Medical services provided by independent Medical Practitioners, £6,000 for specialist advice to the Trustees of the NHS Grampian Endowment Funds on the risks associated with the proposal to diversify the investment portfolio to include key worker housing and £7,800 relating to the external audit of the NHS Grampian Endowment Funds. PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2015/16 (2014/15 £5,500).

### 12. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on NHS Grampian to publish information on expenditure, economic sustainability and efficiency as soon as is reasonably practicable after the end of each financial year. The information required to comply with these disclosure requirements is not an integral part of the Annual Accounts and is displayed on the NHS Grampian website at the following [Link](#)

### 13. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office on three occasions during 2015/16 (2014/15 four).

### 14. Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2015/16, the average credit taken was 9 days (2014/15: 13 days).

In 2015/16 96% of invoices by value (2014/15 92%) and 94% of invoices by volume (2014/15 87%) were paid within 30 days. In 2015/16 91% of invoices by value (2014/15 83%) and 88% of invoices by volume (2014/15 75%) were paid within 10 days.

### 15. Events after the end of the reporting period

No events occurred after the end of the financial year and before the date of publication that will have a material impact on the content of these accounts as presented. NHS Grampian were notified, post year end, of a clinical negligence claim with an estimated value of £7.5m. The Board has disclosed this as a post balance sheet event in note 28 of the financial statements and has not adjusted the financial statements as the overall net impact to the Board is nil.

### 16. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 24.

# GRAMPIAN HEALTH BOARD

## ACCOUNTABILITY REPORT (cont) CORPORATE GOVERNANCE REPORT (cont).

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

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

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

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of 13 January 2006 and amended by the Scottish Public Finance Manual Guidance Note 2009-05 dated July 2009.

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2016 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

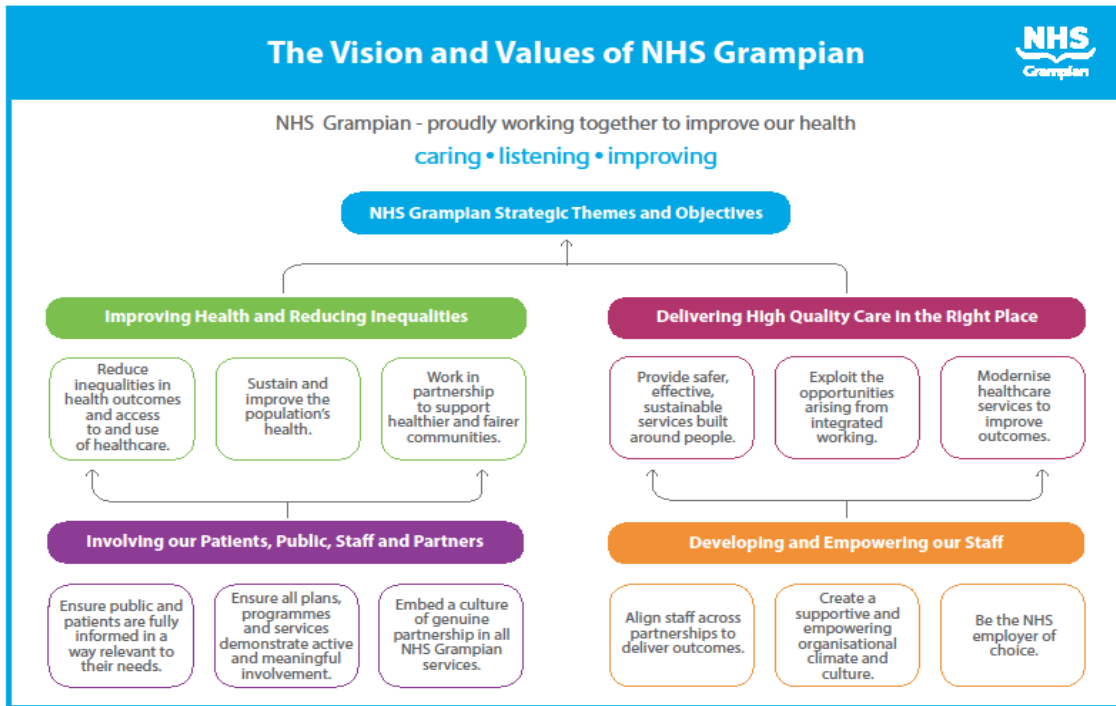
# GRAMPIAN HEALTH BOARD

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

### 1. Strategic Themes and Values

NHS Grampian is committed to working with our partners and staff to improve the health of the people of Grampian. The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives.

The Boards Strategic Themes and Objectives are detailed below :



### 2. Assurance Framework

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

- strategy development and implementation;
- resource allocation;
- implementation of the Local Delivery Plan; and
- performance management.

In addition, as explained in the Directors Report on page 10, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment (“Scotland”) Act 2005.

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



# GRAMPIAN HEALTH BOARD

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

### Clinical Governance Committee

The Clinical Governance Committee meets four times per year. The main duties are as follows:

- Provide a strategic oversight of systems and procedures for clinical governance arrangements;
- Support and monitor the implementation of dynamic clinical governance arrangements;
- Report regularly to the Board on the progress and effectiveness of the clinical governance arrangements; and
- Promote a fair and just culture to encourage continuous quality improvement within all of NHS Grampian's clinical services.

**Membership:** Professor Mike Greaves (Chair), Dr Lynda Lynch, Mr Terry Mackie, Councillor Anne Robertson (to 8 June 2015), Councillor Martin Kitts-Hayes (from 14 August 2015), Mr Eric Sinclair and a public representative.

### Staff Governance Committee

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

**Membership:** Mr Terry Mackie (Chair), Mr David Anderson, Mrs Rhona Atkinson (from 4 August 2015), Mrs Sharon Duncan, Professor Stephen Logan, and Councillor Anne Robertson (to 8 June 2015). There is Executive Director and Staff Side representation at each meeting.

### Remuneration Committee

The Remuneration Committee meets four times a year. Its main duties are as follows:

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

**Membership:** Mr Terry Mackie (Chair), Mr David Anderson, Mrs Rhona Atkinson (from 4 August 2015), Mrs Sharon Duncan, Professor Stephen Logan and Councillor Anne Robertson (to 8 June 2015).

### Audit Committee

The Audit Committee meets four times a year. Its main duties include:

- The review of internal and external audit arrangements;
- The regular review of findings and associated management action arising from internal and external audit activity;
- The review and monitoring of adherence to the Board's Standing Orders and Standing Financial Instructions; and
- Ensuring that effective internal control systems are maintained and corporate governance matters are observed.

**Membership:** Mr David Anderson (Chair), Mrs Rhona Atkinson, Councillor Barney Crockett, Mrs Sharon Duncan, Professor Mike Greaves and Dr Lynda Lynch.

# GRAMPIAN HEALTH BOARD

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

### Performance Governance Committee

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

**Membership:** Professor Stephen Logan (Chair), Mrs Rhona Atkinson, Mr Raymond Bisset, Councillor Stewart Cree, Mrs Sharon Duncan and Mrs Christine Lester.

### Patient Focus and Public Involvement Committee

The Patient Focus and Public Involvement Committee meet four times per year. The Committee ensures that the public is appropriately involved in the decision making process of NHS Grampian.

**Membership:** Mrs Christine Lester (Chair), Mr Jonathan Passmore, Councillor Martin Kitts-Hayes (from 19 August 2015) and Councillor Anne Robertson (to 8 June 2015). There is also Executive Director and extensive staff, clinical, management and public representation attendance at meetings.

### Endowment Committee

The Endowment Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2016 valued at £41.3 million (31 March 2015 valued at £44.7 million).

**Membership:** Mr Raymond Bisset (Chair), Councillor Stewart Cree, Mrs Sharon Duncan, Mr Alan Gray, Professor Mike Greaves and Mrs Laura Gray.

## 3. Scope of Responsibility

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

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)<sup>1</sup> which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health Directorates as being applicable to NHS Boards.

In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes have been in place throughout the financial year:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities for NHS Grampian;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board and subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Implementation of organisation wide risk management arrangements in line with the Board's Risk Management Policy;
- Consideration by the Board of regular reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance, endowment and audit committees concerning any significant matters on governance, risk and internal controls;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;

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<sup>1</sup> 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.

# GRAMPIAN HEALTH BOARD

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

- Regular review of performance against key national targets by the Performance Governance Committee;
- Clear allocation of responsibilities for ensuring that we continue to review and develop our organisational arrangements and services in line with national standards and guidance;
- Allocation of responsibilities for the implementation of improvement actions to lead directors and sector management across our clinical and non-clinical activities;
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making;
- A patient feedback service and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- An annual general meeting of all Trustees of the NHS Grampian Endowment Funds to approve the accounts and review investment policy and strategy.

### 4. Purpose of the System of Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process within the organisation accords with guidance from Scottish Ministers in the SPFM and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

### 5. Risk and Control Framework

All NHS Scotland bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. The following arrangements and processes have been in place throughout the year:

- The risk management plan sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action.
- Risk management reporting includes evidence of the effectiveness of risk management arrangements and to ensure that lessons learned are fed back appropriately into the process.
- We have implemented an assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.
- Regular reviews of the corporate risk register by the Performance Governance Committee and Executive Leadership Team and an annual review by the Board.
- Risk Registers are in place at the Strategic Corporate and Sector level which set out the steps being taken to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects.
- Regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level.
- Risks associated with information that we are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements.

# GRAMPIAN HEALTH BOARD

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

- We have an IT web enabled system to facilitate the electronic recording, assessment and mitigation reporting of risks in line with our risk management plan.
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

The organisation is committed to a process of continuous development and improvement, developing systems to address the key risks faced by the Board and in response to any relevant reviews and developments in best practice. In the period covering the year to 31 March 2016 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and the overall system of internal control:

- Close monitoring of progress against all high risk actions arising from internal audit reports, which are not closed by the due implementation date, and to report any measures necessary to progress these actions to the Audit Committee. These actions in 2015/16 included development of formal reporting arrangements to monitor performance against the 40 day statutory response period for data subject access requests, development of formal monitoring and reporting arrangements to ensure the regulatory compliance of Scottish Dental Access Initiative grant funded practices, implementation of arrangements to ensure that all communication on compliance matters is authorised by a Senior manager prior to submission to the SGHSCD, improvements to our processes for the management of correspondence with patients when their appointments change and a review of management processes for the consultation and implementation of key policy updates.
- A number of improvements to our internal controls for management of locum medical staff have been implemented during the year following an investigation into a high value suspected fraudulent claim for locum medical services.
- A review of controls within the transport and logistics service is in progress following a number of issues identified in our warehousing and vehicle management arrangements.
- Enhanced physical arrangements for the storage of patient records were implemented during the year, following a serious flooding incident. Also the processes for the management and disposal of printouts on wards relating to patient records were improved, following two instances where records were not disposed of securely.
- In December 2014, three reports were issued by external bodies<sup>2</sup> which highlighted a number of areas where the Board was required to take action to improve Board governance and management arrangements within Aberdeen Royal Infirmary. In response to the three reports the Board approved a comprehensive improvement programme in April 2015. As Chief Executive I have direct responsibility to the Board for implementation of the agreed actions within the improvement plan. Throughout the year monthly meetings were held with the Scottish Government Health and Social Care Directorate to report on progress being made with the implementation of the agreed recommendations.
- In support of the Board's improvement agenda our external auditor Deloitte LLP, were commissioned to carry out an independent high level review of our clinical governance arrangements. The report highlighted several areas of good practice such as Board level leadership as well as a number of areas for improvement including refinement of our organisational structure supporting clinical governance activity, greater clarity of roles and responsibilities for those involved, more consistency in reporting arrangements across sectors and the requirement for more emphasis on the assurance of patient experience and clinical effectiveness in reports. The report was shared with all Board members and, after consideration by the Audit Committee, was passed to the Clinical Governance Committee who will oversee the development and implementation of an action plan to meet the key recommendations.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance. Actions arising from these sessions are being progressed by the Board on an ongoing basis.

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<sup>2</sup> Health Improvement Scotland review of quality and safety at Aberdeen Royal Infirmary, Health Improvement Scotland unannounced inspection of the care of older people in Aberdeen Royal Infirmary and Woodend Hospital and the Royal College of Surgeons of England invited review of the ARI general surgery department.

# GRAMPIAN HEALTH BOARD

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

- All three Integration Joint Boards (IJBs) were formally established on 6 February 2016 with full delegation of functions and resources on 1 April 2016. The Board's internal audit programme for 2015/16 included a review of the governance and financial assurance arrangements concerning establishment of the IJBs. The scope of this review was agreed jointly by all Local Authority partners and the findings were shared with the transitional leadership groups as part of the financial due diligence arrangements undertaken by the Chief Officers prior to implementation.

### Best Value

I can confirm that Grampian Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the Scottish Public Finance Manual. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that it is part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to seek opportunities to enhance the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

### Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by external audit;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports relating to the recent reviews carried out by Health Improvement Scotland and other inspection agencies; and
- Transparent assumptions regarding the timing of investment to deliver a significant reduction in high risk backlog maintenance in clinical areas agreed by the Scottish Government Health and Social Care Directorates as part of our Asset Management Plan.

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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

# GRAMPIAN HEALTH BOARD

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

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

### Disclosures

I can confirm that we have appropriate action in place to address the recommendations made by Health Improvement Scotland, as referred to above, in relation to Board governance and the management arrangements within Aberdeen Royal Infirmary. Based on the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Grampian, I am not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

## b) REMUNERATION AND STAFF REPORT

### i) THE REMUNERATION REPORT

#### Remuneration of Executive and Non-Executive Members

The total remuneration disclosed on pages 20 and 21 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

#### Board Members Contracts of Employment

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment. The Non-Executive members are ministerial appointments on contracts of between two and four years. The annual remuneration of Executive and Senior Management Cohort and Non-Executive Members is determined by the Scottish Government under Ministerial Direction and in accordance with PCS (ESM) 2013/1, PCS (ESM) 2012/1, PCS (ESM) 2013/2, PCS (ESM) 2013/3, PCS (ESM) 2015/1 and PCS (ESM) 2015/2.

#### Assessment of Performance

The performance assessment process for the Executive and Senior Management Cohort is in accordance with PCS (ESM) 2013/1. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of Grampian Health Board in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members following review by the Chief Executive is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chairman. For Non-Executive members, the process is also undertaken by the Chairman and written evidence is submitted to the Cabinet Secretary for Health and Wellbeing. The progression of the Executive and Senior Management Cohort through the pay range is subject to, as a minimum, the fully acceptable performance of the individual. A National Performance Management Committee has been established as detailed in HDL(2006)54 to ensure, on behalf of the Scottish Government, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives subject to Ministerial Direction.

#### Relationship between the highest paid Director and the workforce median remuneration

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

| <b>2015-16</b>  |         | <b>2014-15</b>  |         |
|---|---------|---|---------|
| Highest Earning Director's Total Remuneration (£000s) | 175-180 | Highest Earning Director's Total Remuneration (£000s) | 175-180 |
| Median Total Remuneration (£)                         | 28,462  | Median Total Remuneration (£)                         | 28,180  |
| Ratio   | 6.23    | Ratio   | 6.24    |

# GRAMPIAN HEALTH BOARD

## REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2016

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2015/16.

| Note                              | Salary (bands of £5,000) | Performance Related Bonus (bands of £5,000) | Benefits in Kind | Sub Total earnings paid in 2015/16 (bands of £5,000) | Value of Pension Benefits (to be paid over 20 years following retirement) | Total Remuneration (bands of £5,000) | Total accrued pension at pensionable age at 31 March 2016 (bands of £5,000) | Real increase in pension at pensionable age (bands of £2,500) | Total accrued lump sum at pensionable age at 31 March 2016 (bands of £5,000) | Real increase in lump sum at pensionable age (bands of £2,500) | Cash Equivalent Transfer Value (CETV) at 31/3/15 | Cash Equivalent Transfer Value (CETV) at 31/3/16 | Real increase in CETV in year |     |
|-----------------------------------|--------------------------|---|------------------|--|---|--------------------------------------|---|---|--|--|--|--|-------------------------------|-----|
|                                   |                          |   | £000             | £000   | £000  | £000                                 |   |   |  |  | £000   | £000   | £000                          |     |
| <b>Remuneration of:</b>           |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| <b>Executive Members</b>          |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| Mr Malcolm Wright                 | a                        | 165-170                                     | 0                | 1.2  | <b>165-170</b>  | 166                                  | 330-335   | 75-80   | 7.5-10   | 230-235  | 22.5-25  | 1,507  | 1,752                         | 207 |
| Dr Nicholas Fluck                 |                          | 175-180                                     | 0                | 0.3  | <b>175-180</b>  | 75                                   | 250-255   | 50-55   | 2.5-5  | 160-165  | 12.5-15  | 882  | 968                           | 78  |
| Mr Alan Gray                      |                          | 120-125                                     | 0                | 3.2  | <b>125-130</b>  | 26                                   | 150-155   | 5-10  | 0-2.5  | 0  | 0  | 84   | 111                           | 27  |
| Ms Amanda Croft (from 1/9/15)     |                          | 50-55                                       | 0                | 0.0  | <b>50-55</b>  | 33                                   | 85-90   | 30-35   | 2.5-5  | 90-95  | 7.5-10   | 485  | 558                           | 61  |
| <b>Non Executive Members</b>      |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| Chair - Prof Stephen Logan        |                          | 30-35                                       | 0                | 0  | <b>30-35</b>  | N/A                                  | 30-35   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Vice Chair - Mrs Christine Lester | d                        | 20-25                                       | 0                | 0  | <b>20-25</b>  | N/A                                  | 20-25   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr David Anderson                 | d                        | 15-20                                       | 0                | 0  | <b>15-20</b>  | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mrs Rhona Atkinson                |                          | 5-10  | 0                | 0  | <b>5-10</b>   | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Raymond Bisset                 | d                        | 20-25                                       | 0                | 0  | <b>20-25</b>  | N/A                                  | 20-25   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Stewart Cree           |                          | 5-10  | 0                | 0  | <b>5-10</b>   | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Barney Crockett        |                          | 5-10  | 0                | 0  | <b>5-10</b>   | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mrs Sharon Duncan                 | b/d                      | 70-75                                       | 0                | 0  | <b>70-75</b>  | 51                                   | 120-125   | 30-35   | 2.5-3  | 90-95  | 7.5-10   | 550  | 624                           | 62  |
| Professor Mike Greaves            | d                        | 15-20                                       | 0                | 0  | <b>15-20</b>  | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Martin Kitts-Hayes     |                          | 5-10  | 0                | 0  | <b>5-10</b>   | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Dr Lynda Lynch                    | d                        | 15-20                                       | 0                | 0  | <b>15-20</b>  | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Terry Mackie                   | d                        | 15-20                                       | 0                | 0  | <b>15-20</b>  | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Dr Helen Moffat                   | c                        | 55-60                                       | 0                | 0  | <b>55-60</b>  | 12                                   | 65-70   | 10-15   | 0-2.5  | 25-30  | 0  | 154  | 164                           | 10  |
| Mr Jonathan Passmore              | d                        | 20-25                                       | 0                | 0  | <b>20-25</b>  | N/A                                  | 20-25   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Anne Robertson         |                          | 0-5   | 0                | 0  | <b>0-5</b>  | N/A                                  | 0-5   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Eric Sinclair                  | d                        | 15-20                                       | 0                | 0  | <b>15-20</b>  | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |

a) The remuneration disclosure for Mr Malcolm Wright reflects his earnings as an employee of NHS Education for Scotland while seconded to NHS Grampian as interim Chief Executive for the three months April to June 2015 and for the nine months July 2015 to March 2016 as an employee of NHS Grampian following his permanent appointment to the role.

b) Mrs Sharon Duncan worked in a full time capacity as Employee Director of NHS Grampian.

c) The remuneration disclosure for Dr Helen Moffat includes total earnings both in her part time role as a Clinical Psychologist with NHS Grampian and for her additional duties as an NHS Board member.

d) Non Executive Board Members who were members of Transitional Leadership Groups for the Health and Social Care Partnerships and who assume additional responsibilities during the year received additional remuneration.

# GRAMPIAN HEALTH BOARD

## NHS GRAMPIAN

### REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2015

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2014/15.

| Note   | Salary (bands of £5,000) | Performance Related Bonus (bands of £5,000) | Benefits in Kind | Sub Total earnings paid in 2014/15 (bands of £5,000) | Value of Pension Benefits (to be paid over 20 years following retirement) | Total Remuneration (bands of £5,000) | Total accrued pension at pensionable age at 31 March 2015 (bands of £5,000) | Real increase in pension at pensionable age (bands of £2,500) | Total accrued lump sum at pensionable age at 31 March 2015 (bands of £5,000) | Real increase in lump sum at pensionable age (bands of £2,500) | Cash Equivalent Transfer Value (CETV) at 31/3/14 | Cash Equivalent Transfer Value (CETV) at 31/3/15 | Real increase in CETV in year |     |
|--|--------------------------|---|------------------|--|---|--------------------------------------|---|---|--|--|--|--|-------------------------------|-----|
|  |                          |   | £000             | £000   | £000  | £000                                 |   |   |  |  | £000   | £000   | £000                          |     |
| <b>Remuneration of:</b>                        |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| <b>Executive Members</b>                       |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| Mr Richard Carey                               | a                        | 165-170                                     | 0                | 1.1  | 165-170   | 12                                   | 175-180   | 60-65   | 0-2.5  | 190-195  | 2.5-5  | 1,288  | 1,363                         | 75  |
| Mr Malcolm Wright (from 01/12/2014)            | b                        | 45-50                                       | 0                | 0.0  | 45-50   | 40                                   | 85-90   | 65-70   | 5-7.5  | 205-210  | 17.5-20  | 1,334  | 1,507                         | 173 |
| Dr Roelf Dijkhuizen (to 04/10/2014)            | b                        | 90-95                                       | 0                | 0.4  | 90-95   | 4                                    | 90-95   | 45-50   | 0-2.5  | 140-145  | 0-2.5  | 1,021  | 1,095                         | 74  |
| Dr Nicholas Fluck (from 01/10/2014)            |                          | 85-90                                       | 0                | 0.3  | 85-90   | 20                                   | 105-110   | 45-50   | 2.5-5  | 145-150  | 7.5-10   | 811  | 882                           | 71  |
| Mr Alan Gray                                   |                          | 115-120                                     | 0                | 3.1  | 115-120   | 21                                   | 135-140   | 5-10  | 0-2.5  | 0  | 0  | 59   | 84                            | 25  |
| Mrs Elinor Smith                               |                          | 105-110                                     | 0                | 3.4  | 110-115   | 34                                   | 140-145   | 35-40   | 0-2.5  | 110-115  | 5-7.5  | 810  | 854                           | 44  |
| Sir Lewis Ritchie (to 31/10/2014)              | d                        | 70-75                                       | 0                | 0.0  | 70-75   | N/A                                  | 70-75   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| <b>Non Executive Members</b>                   |                          |   |                  |  |   |                                      |   |   |  |  |  |  |                               |     |
| Chair - Councillor Bill Howatson (to 31/12/14) |                          | 20-25                                       | 0                | 0  | 20-25   | N/A                                  | 20-25   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Chair - Prof Stephen Logan (from 01/01/15)     |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mrs Sharon Duncan                              | e                        | 60-65                                       | 0                | 0  | 60-65   | 4                                    | 65-70   | 25-30   | 0-2.5  | 80-85  | 0-2.5  | 519  | 550                           | 31  |
| Mrs Linda Juroszek (to 31/07/14)               | f                        | 20-25                                       | 0                | 0  | 20-25   | 3                                    | 20-25   | 10-15   | 0-2.5  | 30-35  | 0-2.5  | 246  | 253                           | 7   |
| Dr Helen Moffat (from 01/10/2014)              | g                        | 25-30                                       | 0                | 0  | 25-30   | 9                                    | 35-40   | 5-10  | 0-2.5  | 25-30  | 2.5-5  | 134  | 154                           | 20  |
| Mr David Anderson                              |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Raymond Bisset                              | h                        | 15-20                                       | 0                | 0  | 15-20   | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Stewart Cree                        |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Barney Crockett                     |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Professor Mike Greaves                         |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mrs Christine Lester                           | h                        | 15-20                                       | 0                | 0  | 15-20   | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Dr Lynda Lynch                                 |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Terry Mackie                                |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Charles Muir (to 31/12/2014)                | h                        | 10-15                                       | 0                | 0  | 10-15   | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Jonathan Passmore                           |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Councillor Anne Robertson                      |                          | 5-10  | 0                | 0  | 5-10  | N/A                                  | 5-10  | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Mike Scott (to 31/12/2014)                  | h                        | 10-15                                       | 0                | 0  | 10-15   | N/A                                  | 15-20   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mr Eric Sinclair (from 01/01/2015)             |                          | 0-5   | 0                | 0  | 0-5   | N/A                                  | 0-5   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |
| Mrs Rhona Atkinson (from 01/01/2015)           |                          | 0-5   | 0                | 0  | 0-5   | N/A                                  | 0-5   | N/A   | N/A  | N/A  | N/A  | N/A  | N/A                           | N/A |

a) Mr Richard Carey ceased to be the accountable officer for the NHS Grampian Board effective 30 November 2015. Mr Carey remained an employee of NHS Grampian until taking early retirement on 19 January 2015. The above remuneration figures reflect Mr Carey's total earnings during 2014/15 including payment in lieu of notice in line with contractual terms and conditions of service. Mr Carey's pension scheme received a single compensation payment of £255,789 on retirement, commensurate with NHS Pension scheme rules, to mitigate the impact of an actuarial reduction on pension benefits. No redundancy payment, no service enhancement and no other compensation for loss of office was received by Mr Carey.

b) Mr Malcolm Wright was an employee of NHS Education for Scotland seconded to NHS Grampian as Chief Executive.

c) Dr Roelf Dijkhuizen retired from the post as Medical Director and left NHS Grampian's service on 4 October 2014. The above remuneration figures reflect Dr Dijkhuizen's total earnings during 2014/15 including payment in lieu of notice in line with contractual terms and conditions of service. Dr Dijkhuizen's pension scheme received a single compensation payment of £21,431 on retirement, commensurate with NHS Pension scheme rules, to mitigate the impact of an actuarial reduction on pension benefits. No redundancy payment, no service enhancement and no other compensation for loss of office was received by Dr Dijkhuizen.

d) Sir Lewis Ritchie, Director of Public Health until 31 October 2015, was seconded from the University of Aberdeen, School of Medicine and Dentistry. The remuneration disclosed above represents the direct salary re-imburse to the University under the terms of the secondment agreement.

e) Mrs Sharon Duncan worked in a full time capacity as Employee Director of NHS Grampian.

f) The remuneration disclosure for Mrs Linda Juroszek includes total earnings both in her full time role as a pharmacist with NHS Grampian and for her additional duties as an NHS Board member.

g) The remuneration disclosure for Dr Helen Moffat includes total earnings both in her part time role as a Clinical Psychologist with NHS Grampian and for her additional duties as an NHS Board member.

h) Non Executive Board Members who were Chairs of CHP Committees and who assume additional responsibilities during the year received additional remuneration.



# GRAMPIAN HEALTH BOARD

## ACCOUNTABILITY REPORT (cont)

### b) REMUNERATION AND STAFF REPORT

#### ii) STAFF REPORT

##### 1. Staff Governance

As part of our adherence to the NHS Scotland Staff Governance Standards, the organisation engages and consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process. NHS Grampian has invested in five full time partnership representatives released from their substantive roles, who represent the interests of all staff. NHS Grampian provides employees with information on matters of concern to them as employees through a range of communication methods including the local intranet, Team Brief, global e-mails and the Upfront Newspaper.

##### 2. The Workforce

Although the number of nurses and midwives employed within the Board has increased by 79 wte during the year recruitment of staff in clinical roles continued to remain a key challenge particularly noticeable for Senior Medical staff and in critical skilled nursing roles for example theatre nursing. We have increased our use of agency staff in the short term to cover these key roles while we progress concerted recruitment efforts in partnership with our staff side organisation, to attract and retain suitably skilled professionals to Grampian, striving to become the 'Employer of Choice'. During the year the Board also continued to implement, in partnership, a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need and the Nursing Resources Group continues to oversee a strategic improvement in the planning, deployment and investment in nursing and midwifery staffing.

The following table summarises total staff numbers for 2015/16 and the prior year :

| Staff Type  | Whole Time Equivalent | Whole Time Equivalent |
|---|-----------------------|-----------------------|
|   | 2015/16               | 2014/15               |
|   | Annual Mean           | Annual Mean           |
| Governance  | 35.9                  | 37.1                  |
| Hospital & Community Services   | 8709.3                | 8599.0                |
| Non Clinical Services   | 3785.2                | 3625.6                |
| <b>Board Total Average Staff</b>  | <b>12530.2</b>        | <b>12261.7</b>        |
| Permanent Staff   | 10992.2               | 10872.2               |
| Staff with Short Term Contract  | 1368.8                | 1291.5                |
| Inward Secondees  | 8.7                   | 7.3                   |
| Agency Staff  | 175.4                 | 104.5                 |
| Outward Secondees   | -14.9                 | -13.8                 |
| <b>Board Total Average Staff</b>  | <b>12530.2</b>        | <b>12261.7</b>        |
| The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure. | 4.87                  | 5.34                  |

##### 3. Staff with a Disability

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2015/16 NHS Grampian employed an average 57.8wte (headcount 71) staff with a disability compared to 53.4wte (headcount 65) in 2014/15.

##### 4. Sickness absence

The attendance management process (iAMS), a partnership approach to return to work, continues to be embedded across the organisation and continues to deliver a short term absence rate which has been consistently below the national average. This has contributed to the achievement of the overall annual sickness absence rate of 4.62% (4.64% in 2014/15), which is one of the lowest in Scotland (Scottish average 5.16%).

# GRAMPIAN HEALTH BOARD

## ACCOUNTABILITY REPORT (cont)

### b) REMUNERATION AND STAFF REPORT (cont)

#### ii) STAFF REPORT (cont)

#### 5. Staff Composition

|   | 2015/16     |              |              | 2014/15     |              |              |
|---|-------------|--------------|--------------|-------------|--------------|--------------|
|   | Male        | Female       | Total        | Male        | Female       | Total        |
| Executive Directors                           | 3           | 1            | 4            | 4           | 1            | 5            |
| Non-Executive Directors and Employee Director | 10          | 6            | 16           | 12          | 7            | 19           |
| Senior Employees                              | 19          | 22           | 41           | 24          | 25           | 49           |
| Other   | 2456        | 11964        | 14420        | 2419        | 11809        | 14228        |
| <b>Total Headcount</b>                        | <b>2488</b> | <b>11993</b> | <b>14481</b> | <b>2459</b> | <b>11842</b> | <b>14301</b> |

#### 6. Number of Executive Directors by Salary Band

| Band (bands of £5,000) | 2015/16         | 2015/16         |
|------------------------|-----------------|-----------------|
|                        | Number of Staff | Number of Staff |
| 45-50                  |                 | 1               |
| 65-70                  | 1               |                 |
| 70-75                  |                 | 1               |
| 85-90                  |                 | 1               |
| 90-95                  |                 | 1               |
| 105-110                |                 | 1               |
| 115-120                |                 | 1               |
| 125-130                | 1               |                 |
| 165-170                | 1               | 1               |
| 175-180                | 1               |                 |

Note: the staff numbers above are based on headcount and reflect in year turnover in post for the Chief Executive and Medical Director in 2014/15 and the Nursing Director in 2015/16. Detailed disclosure information including the names and earnings related information is included in the Remuneration Report on page

#### 7. Expenditure on consultancy

Expenditure on external consultancy during 2015/6 was £210,663 (2014/15 £126,242)

NHS Grampian has used a total of 7 consultancy firms during 2015/16 (10 in 2014/15). These suppliers provided consultancy services in a number of areas including, capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian's own staff and therefore represent a value for money alternative to the direct employment of specialist staff. The increase in expenditure compared to the prior year related to specialist health planning support to assist in the initial design stages of the planned new Baird family Hospital and Anchor Cancer Centre development on the Foresterhill Site.

#### 8. Off payroll engagements

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

All Board members deemed with significant financial responsibility during the year were remunerated through NHS Grampian's payroll or in the case of the Chief Executive who was on secondment from NHS Education Scotland (NHS NES) for the first quarter of the year, through the payroll of NHS NES.

# GRAMPIAN HEALTH BOARD

## ACCOUNTABILITY REPORT (cont)

### b) REMUNERATION AND STAFF REPORT (cont)

#### ii) STAFF REPORT (cont)

#### 9. Exit packages

The following table summarises exit packages agreed in the year. There were no compulsory redundancies in 2015/16 or 2014/15.

|  | 2015/16   | 2014/15   |
|--|---|---|
| <b>Exit Package cost band</b>                | <b>Total number of exit packages by cost band</b> | <b>Total number of exit packages by cost band</b> |
| £10,000 - £25,000                            |   | 3   |
| £150,000 - £200,000                          | 1   |   |
| >£200,000                                    |   | 3   |
| <b>Total number of exit Packages by type</b> | <b>1</b>  | <b>6</b>  |
|  |   |   |
| <b>Total Resource Cost (£'000)</b>           | <b>163</b>  | <b>734</b>  |



**Mr Malcolm Wright**  
Chief Executive  
Grampian Health Board

28 June 2016

# GRAMPIAN HEALTH BOARD

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

We have audited the financial statements of Grampian Health Board and its group for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. 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 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the board and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the 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 affairs of the board and its group as at 31 March 2016 and of their net operating cost 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 2015/16 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.

### 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.

### Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## GRAMPIAN HEALTH BOARD

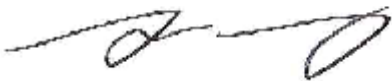
### Independent auditor's report to the members of Grampian Health Board, the Auditor General for Scotland and the Scottish Parliament (Cont)

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

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.



James Boyle, CA (for and on behalf of Deloitte LLP)  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB  
United Kingdom

28 June 2016

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2016

|   |   | Charitable       |              |             | Charitable       |                |             |                  |
|---|---|------------------|--------------|-------------|------------------|----------------|-------------|------------------|
|   |   | NHS              | Endowment    | Intra Group | NHS              | Endowment      | Intra Group | Group            |
|   |   | Grampian         | Funds        | Adjustments | Grampian         | Funds          | Adjustments | Group            |
|   |   | 2016             | 2016         | 2016        | 2015             | 2015           | 2015        | 2015             |
|   |   | £'000            | £'000        | £'000       | £'000            | £'000          | £'000       | £'000            |
| <b>Clinical Services Costs</b>  |   |                  |              |             |                  |                |             |                  |
| Hospital and Community  | 4 | 850,864          | 0            | 0           | 802,169          | 0              | 0           | 802,169          |
| Less: Hospital and Community Income                                   | 8 | 19,664           | 0            | 0           | 19,483           | 0              | 0           | 19,483           |
|   |   | 831,200          | 0            | 0           | 782,686          | 0              | 0           | 782,686          |
| Family Health   | 5 | 251,628          | 0            | 0           | 244,627          | 0              | 0           | 244,627          |
| Less: Family Health Income  | 8 | 8,119            | 0            | 0           | 8,022            | 0              | 0           | 8,022            |
|   |   | 243,509          | 0            | 0           | 236,605          | 0              | 0           | 236,605          |
| <b>Total Clinical Services Costs</b>                                  |   | <b>1,074,709</b> | <b>0</b>     | <b>0</b>    | <b>1,019,291</b> | <b>0</b>       | <b>0</b>    | <b>1,019,291</b> |
| Administration Costs  | 6 | 3,755            | 0            | 3,755       | 4,424            | 0              | 0           | 4,424            |
| Other Non Clinical Services   | 7 | 18,088           | 6,251        | (2,931)     | 17,339           | 4,186          | (2,566)     | 18,959           |
| Less: Other Operating Income  | 8 | 88,381           | 5,137        | (2,931)     | 84,705           | 3,716          | (2,566)     | 85,855           |
|   |   | (70,293)         | 1,114        | 0           | (67,366)         | 470            | 0           | (66,896)         |
| <b>Net Operating Costs</b>  |   | <b>1,008,171</b> | <b>1,114</b> | <b>0</b>    | <b>956,349</b>   | <b>470</b>     | <b>0</b>    | <b>956,819</b>   |
| <b>OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)</b>               |   |                  |              |             |                  |                |             |                  |
| Net Loss/(gain) on revaluation of Property Plant and Equipment        |   | 23,851           | 0            | 0           | (21,872)         | 0              | 0           | (21,872)         |
| Net Loss/(gain) on revaluation of available for sale financial assets |   | 0                | 2,296        | 0           | 0                | (2,586)        | 0           | (2,586)          |
| <b>Total Comprehensive Expenditure/(Income)</b>                       |   | <b>1,032,022</b> | <b>3,410</b> | <b>0</b>    | <b>934,477</b>   | <b>(2,116)</b> | <b>0</b>    | <b>932,361</b>   |

## SUMMARY OF RESOURCE OUTTURN FOR THE YEAR ENDED 31 MARCH 2016

### SUMMARY OF CORE REVENUE RESOURCE OUTTURN

|   | 2016  | 2016             |
|---|-------|------------------|
|   | £'000 | £'000            |
| <b>Net Operating Costs</b>                        |       | <b>1,009,285</b> |
| Total Non Core Expenditure (see below)            |       | (36,214)         |
| FHS Non Discretionary Allocation                  |       | (48,606)         |
| Donated Assets Income                             |       | 3,751            |
| Endowment Net Movement in Funds                   |       | (1,114)          |
| <b>Total Core Expenditure</b>                     |       | <b>927,102</b>   |
| Core Revenue Resource Limit                       |       | 927,245          |
| <b>Saving against Core Revenue Resource Limit</b> |       | <b>143</b>       |

### SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

|  |        |               |
|--|--------|---------------|
| Depreciation/Amortisation                                      | 25,909 |               |
| Annually Managed Expenditure - Impairments                     | 6,238  |               |
| Annually Managed Expenditure - Creation of Provisions          | 1,805  |               |
| Annually Managed Expenditure - Depreciation of Donated Assets  | 851    |               |
| Additional SGHSCD non-core funding                             | 1,411  |               |
| <b>Total Non Core Expenditure</b>                              |        | <b>36,214</b> |
| Non Core Revenue Resource Limit                                |        | 36,214        |
| <b>Saving/(excess) against Non Core Revenue Resource Limit</b> |        | <b>0</b>      |

### SUMMARY RESOURCE OUTTURN

|              | Resource Expenditure |                | Saving     |
|--------------|----------------------|----------------|------------|
|              | £'000                | £'000          | £'000      |
| Core         | 927,245              | 927,102        | 143        |
| Non Core     | 36,214               | 36,214         | 0          |
| <b>Total</b> | <b>963,459</b>       | <b>963,316</b> | <b>143</b> |

# GRAMPIAN HEALTH BOARD

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

|  | Note | NHS<br>Grampian<br>2016<br>£'000 | Charitable<br>Endowment<br>Funds<br>2016<br>£'000 | Intra Group<br>Adjustments<br>2016<br>£'000 | Group<br>2016<br>£'000 | NHS<br>Grampian<br>2015<br>£'000 | Charitable<br>Endowment<br>Funds<br>2015<br>£'000 | Intra Group<br>Adjustments<br>2015<br>£'000 | Group<br>2015<br>£'000 |
|--|------|----------------------------------|---|---|------------------------|----------------------------------|---|---|------------------------|
| <b>Non-current assets:</b>                               |      |                                  |   |   |                        |                                  |   |   |                        |
| Property, plant and equipment                            | 11   | 513,069                          | 0   | 0   | 513,069                | 559,465                          | 0   | 0   | 559,465                |
| <b>Intangible assets</b>                                 | 10   | 1,251                            | 0   | 0   | 1,251                  | 1,723                            | 0   | 0   | 1,723                  |
| <b>Financial assets:</b>                                 |      |                                  |   |   |                        |                                  |   |   |                        |
| Financial assets   | 14   | 1,217                            | 39,972  | 0   | 41,189                 | 300                              | 42,960  | 0   | 43,260                 |
| Trade and other receivables                              | 13   | 16,552                           | 0   | 0   | 16,552                 | 15,569                           | 0   | 0   | 15,569                 |
| <b>Total non-current assets</b>                          |      | <b>532,089</b>                   | <b>39,972</b>                                     | <b>0</b>                                    | <b>572,061</b>         | <b>577,057</b>                   | <b>42,960</b>                                     | <b>0</b>                                    | <b>620,017</b>         |
| <b>Current Assets:</b>                                   |      |                                  |   |   |                        |                                  |   |   |                        |
| Inventories  | 12   | 5,594                            | 0   | 0   | 5,594                  | 5,087                            | 0   | 0   | 5,087                  |
| <b>Financial assets:</b>                                 |      |                                  |   |   |                        |                                  |   |   |                        |
| Trade and other receivables                              | 13   | 41,747                           | 94  | (2,783)                                     | 39,058                 | 38,001                           | 91  | (1,013)                                     | 37,079                 |
| Cash and cash equivalents                                | 15   | 341                              | 5,328   | 46  | 5,715                  | 240                              | 3,807   | 0   | 4,047                  |
| Assets classified as held for sale                       | 11c  | 4,460                            | 0   | 0   | 4,460                  | 358                              | 0   | 0   | 358                    |
| <b>Total current assets</b>                              |      | <b>52,142</b>                    | <b>5,422</b>                                      | <b>(2,737)</b>                              | <b>54,827</b>          | <b>43,686</b>                    | <b>3,898</b>                                      | <b>(1,013)</b>                              | <b>46,571</b>          |
| <b>Total assets</b>                                      |      | <b>584,231</b>                   | <b>45,394</b>                                     | <b>(2,737)</b>                              | <b>626,888</b>         | <b>620,743</b>                   | <b>46,858</b>                                     | <b>(1,013)</b>                              | <b>666,588</b>         |
| <b>Current liabilities</b>                               |      |                                  |   |   |                        |                                  |   |   |                        |
| Provisions   | 17   | (12,699)                         | (639)   | 0   | (13,338)               | (19,116)                         | (479)   | 0   | (19,595)               |
| <b>Financial liabilities:</b>                            |      |                                  |   |   |                        |                                  |   |   |                        |
| Trade and other payables                                 | 16   | (96,193)                         | (2,951)   | 2,737                                       | (96,407)               | (97,074)                         | (1,075)   | 1,013                                       | (97,136)               |
| <b>Total current liabilities</b>                         |      | <b>(108,892)</b>                 | <b>(3,590)</b>                                    | <b>2,737</b>                                | <b>(109,745)</b>       | <b>(116,190)</b>                 | <b>(1,554)</b>                                    | <b>1,013</b>                                | <b>(116,731)</b>       |
| <b>Non-current assets (less) net current liabilities</b> |      | <b>475,339</b>                   | <b>41,804</b>                                     | <b>0</b>                                    | <b>517,143</b>         | <b>504,553</b>                   | <b>45,304</b>                                     | <b>0</b>                                    | <b>549,857</b>         |
| <b>Non-current liabilities</b>                           |      |                                  |   |   |                        |                                  |   |   |                        |
| Provisions   | 17   | (37,498)                         | (505)   | 0   | (38,003)               | (28,523)                         | (595)   | 0   | (29,118)               |
| <b>Financial liabilities:</b>                            |      |                                  |   |   |                        |                                  |   |   |                        |
| Trade and other payables                                 | 16   | (28,454)                         | 0   | 0   | (28,454)               | (29,173)                         | 0   | 0   | (29,173)               |
| <b>Total non-current liabilities</b>                     |      | <b>(65,952)</b>                  | <b>(505)</b>                                      | <b>0</b>                                    | <b>(66,457)</b>        | <b>(57,696)</b>                  | <b>(595)</b>                                      | <b>0</b>                                    | <b>(58,291)</b>        |
| <b>Assets less liabilities</b>                           |      | <b>409,387</b>                   | <b>41,299</b>                                     | <b>0</b>                                    | <b>450,686</b>         | <b>446,857</b>                   | <b>44,709</b>                                     | <b>0</b>                                    | <b>491,566</b>         |
| <b>Taxpayers' Equity</b>                                 |      |                                  |   |   |                        |                                  |   |   |                        |
| General fund   |      | 327,553                          | 0   | 0   | 327,553                | 337,256                          | 0   | 0   | 337,256                |
| Revaluation reserve                                      |      | 81,834                           | 6,086   | 0   | 87,920                 | 109,601                          | 9,496   | 0   | 119,097                |
| Other reserves   |      | 0                                | 35,213  | 0   | 35,213                 | 0                                | 35,213  | 0   | 35,213                 |
| <b>Total taxpayers' equity</b>                           |      | <b>409,387</b>                   | <b>41,299</b>                                     | <b>0</b>                                    | <b>450,686</b>         | <b>446,857</b>                   | <b>44,709</b>                                     | <b>0</b>                                    | <b>491,566</b>         |

The Annual Accounts were approved by the Board of directors and authorised for issue on 28 June 2016



**Mr Malcolm Wright**  
Chief Executive



**Mr Alan Gray**  
Director of Finance

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

|   | Note | 2016                          |   |   |                        | 2015                          |   |   |                        |
|---|------|-------------------------------|---|---|------------------------|-------------------------------|---|---|------------------------|
|   |      | NHS Grampian<br>2016<br>£'000 | Charitable<br>Endowment<br>Funds<br>2016<br>£'000 | Intra Group<br>Adjustments<br>2016<br>£'000 | Group<br>2016<br>£'000 | NHS Grampian<br>2015<br>£'000 | Charitable<br>Endowment<br>Funds<br>2015<br>£'000 | Intra Group<br>Adjustments<br>2015<br>£'000 | Group<br>2015<br>£'000 |
| <b>Cash flows from operating activities</b>   |      |                               |   |   |                        |                               |   |   |                        |
| Net operating cost  |      | (1,008,171)                   | (1,114)   | 0   | (1,009,285)            | (956,349)                     | (470)   | 0   | (956,819)              |
| Adjustments for non-cash transactions   | 3    | 27,246                        | 0   | 0   | 27,246                 | 30,377                        | 0   | 0   | 30,377                 |
| Add back: interest payable recognised in net operating cost                                 | 3    | 1,827                         | 0   | 0   | 1,827                  | 1,605                         | 0   | 0   | 1,605                  |
| Investment Income   |      | 0                             | (1,670)   | 0   | (1,670)                | 0                             | (1,559)   | 0   | (1,559)                |
| (Increase)/decrease in trade and other receivables  | 18   | (4,160)                       | (3)   | 0   | (4,163)                | (540)                         | 3   | 0   | (537)                  |
| (Increase) in inventories   | 18   | (507)                         | 0   | 0   | (507)                  | (989)                         | 0   | 0   | (989)                  |
| Increase in trade and other payables  | 18   | 1,911                         | 1,922   | (46)  | 3,787                  | 7,485                         | 494   | 0   | 7,979                  |
| Increase/(decrease) in provisions   | 18   | 2,558                         | 70  | 0   | 2,628                  | 2,925                         | 288   | 0   | 3,213                  |
| <b>Net cash outflow from operating activities</b>   |      | <b>(979,296)</b>              | <b>(795)</b>                                      | <b>(46)</b>                                 | <b>(980,137)</b>       | <b>(915,486)</b>              | <b>(1,244)</b>                                    | <b>0</b>                                    | <b>(916,730)</b>       |
| <b>Cash flows from investing activities</b>   |      |                               |   |   |                        |                               |   |   |                        |
| Purchase of property, plant and equipment   |      | (13,529)                      | 0   | 0   | (13,529)               | (24,233)                      | 0   | 0   | (24,233)               |
| Purchase of intangible assets   |      | (160)                         | 0   | 0   | (160)                  | (131)                         | 0   | 0   | (131)                  |
| Investment Additions  |      | (921)                         | (10,100)  | 0   | (11,021)               | 0                             | (4,850)   | 0   | (4,850)                |
| Proceeds of disposal of property, plant and equipment                                       |      | 1,828                         | 0   | 0   | 1,828                  | 182                           | 0   | 0   | 182                    |
| Receipts from sale of investments   |      | 0                             | 10,792  | 0   | 10,792                 | 0                             | 4,511   | 0   | 4,511                  |
| Interest and dividends received   |      | 0                             | 1,670   | 0   | 1,670                  | 0                             | 1,559   | 0   | 1,559                  |
| <b>Net cash outflow from investing activities</b>   |      | <b>(12,782)</b>               | <b>2,362</b>                                      | <b>0</b>                                    | <b>(10,420)</b>        | <b>(24,182)</b>               | <b>1,220</b>                                      | <b>0</b>                                    | <b>(22,962)</b>        |
| <b>Cash flows from financing activities</b>   |      |                               |   |   |                        |                               |   |   |                        |
| Funding   |      | 994,552                       | 0   | 0   | 994,552                | 932,448                       | 0   | 0   | 932,448                |
| Movement in general fund working capital  |      | 101                           | 0   | 0   | 101                    | (401)                         | 0   | 0   | (401)                  |
| <b>Cash drawn down</b>  |      | <b>994,653</b>                | <b>0</b>  | <b>0</b>                                    | <b>994,653</b>         | <b>932,047</b>                | <b>0</b>  | <b>0</b>                                    | <b>932,047</b>         |
| Capital element of payments in respect of finance leases and on-balance sheet PFI contracts |      | (647)                         | 0   | 0   | (647)                  | 8,825                         | 0   | 0   | 8,825                  |
| Interest element of finance leases and on-balance sheet PFI/PPP contracts                   | 3    | (1,827)                       | 0   | 0   | (1,827)                | (1,605)                       | 0   | 0   | (1,605)                |
| <b>Net Financing</b>  |      | <b>992,179</b>                | <b>0</b>  | <b>0</b>                                    | <b>992,179</b>         | <b>939,267</b>                | <b>0</b>  | <b>0</b>                                    | <b>939,267</b>         |
| <b>Net increase/(decrease) in cash and cash equivalents in the period</b>                   |      | <b>101</b>                    | <b>1,521</b>                                      | <b>46</b>                                   | <b>1,668</b>           | <b>(401)</b>                  | <b>(24)</b>                                       | <b>0</b>                                    | <b>(425)</b>           |
| <b>Cash and cash equivalents at the beginning of the year</b>                               |      | <b>240</b>                    | <b>3,807</b>                                      | <b>0</b>                                    | <b>4,047</b>           | <b>641</b>                    | <b>3,831</b>                                      | <b>0</b>                                    | <b>4,472</b>           |
| <b>Cash and cash equivalents at the end of the year</b>                                     | 15   | <b>341</b>                    | <b>5,328</b>                                      | <b>46</b>                                   | <b>5,715</b>           | <b>240</b>                    | <b>3,807</b>                                      | <b>0</b>                                    | <b>4,047</b>           |



# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2016

|  | Note  | NHS GRAMPIAN       |                           |                            | CHARITABLE ENDOWMENT FUNDS       |                           |                           | Consolidated Total Reserves £'000 |
|--|-------|--------------------|---------------------------|----------------------------|----------------------------------|---------------------------|---------------------------|-----------------------------------|
|  |       | General Fund £'000 | Revaluation Reserve £'000 | Total Board Reserves £'000 | Individual Endowment Funds £'000 | Revaluation Reserve £'000 | Funds Held on Trust £'000 |                                   |
| <b>Balance at 31 March 2015</b>  |       | <b>337,256</b>     | <b>109,601</b>            | <b>446,857</b>             | <b>35,213</b>                    | <b>9,496</b>              | <b>44,709</b>             | <b>491,566</b>                    |
| <b>Changes in taxpayers' equity for 2015-16</b>  |       |                    |                           |                            |                                  |                           |                           |                                   |
| Net loss on revaluation/indexation of property, plant and equipment and assets held for sale | 11/12 | 0                  | (23,851)                  | (23,851)                   | 0                                | 0                         | 0                         | (23,851)                          |
| Net loss on revaluation of financial assets  |       | 0                  | 0                         | 0                          | 0                                | (2,296)                   | (2,296)                   | (2,296)                           |
| Impairment of property, plant and equipment  | 11    | 0                  | (6,238)                   | (6,238)                    | 0                                | 0                         | 0                         | (6,238)                           |
| Revaluation & impairments taken to operating costs   | 3     | 0                  | 6,238                     | 6,238                      | 0                                | 0                         | 0                         | 6,238                             |
| Transfers between reserves   |       | 3,916              | (3,916)                   | 0                          | 0                                | 0                         | 0                         | 0                                 |
| Net operating cost for the year  |       | (1,008,171)        | 0                         | (1,008,171)                | 0                                | (1,114)                   | (1,114)                   | (1,009,285)                       |
| <b>Total recognised income and expense for 2015-16</b>                                       |       | <b>(1,004,255)</b> | <b>(27,767)</b>           | <b>(1,032,022)</b>         | <b>0</b>                         | <b>(3,410)</b>            | <b>(3,410)</b>            | <b>(1,035,432)</b>                |
| <b>Funding:</b>  |       |                    |                           |                            |                                  |                           |                           |                                   |
| Drawn down   |       | 994,653            | 0                         | 994,653                    | 0                                | 0                         | 0                         | 994,653                           |
| Movement in General Fund Creditor  |       | (101)              | 0                         | (101)                      | 0                                | 0                         | 0                         | (101)                             |
| <b>Balance at 31 March 2016</b>  |       | <b>327,553</b>     | <b>81,834</b>             | <b>409,387</b>             | <b>35,213</b>                    | <b>6,086</b>              | <b>41,299</b>             | <b>450,686</b>                    |

## CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2015

|   | Note | NHS GRAMPIAN       |                           |                      | CHARITABLE ENDOWMENT FUNDS       |                           |                           | Consolidated Total Reserves £'000 |
|---|------|--------------------|---------------------------|----------------------|----------------------------------|---------------------------|---------------------------|-----------------------------------|
|   |      | General Fund £'000 | Revaluation Reserve £'000 | Total Reserves £'000 | Individual Endowment Funds £'000 | Revaluation Reserve £'000 | Funds Held on Trust £'000 |                                   |
| <b>Balance at 31 March 2014</b>                                     |      | <b>357,648</b>     | <b>91,238</b>             | <b>448,886</b>       | <b>35,298</b>                    | <b>7,296</b>              | <b>42,594</b>             | <b>491,480</b>                    |
| <b>Changes in taxpayers' equity for 2014-15</b>                     |      |                    |                           |                      |                                  |                           |                           |                                   |
| Net gain on revaluation/indexation of property, plant and equipment | 11   | 0                  | 21,872                    | 21,872               | 0                                | 0                         | 0                         | 21,872                            |
| Net gain on revaluation of financial assets                         |      | 0                  | 0                         | 0                    | 385                              | 2,200                     | 2,585                     | 2,585                             |
| Impairment of property, plant and equipment                         | 11   | 0                  | (6,442)                   | (6,442)              | 0                                | 0                         | 0                         | (6,442)                           |
| Revaluation & impairments taken to operating costs                  | 3    | 0                  | 6,442                     | 6,442                | 0                                | 0                         | 0                         | 6,442                             |
| Transfers between reserves  |      | 3,509              | (3,509)                   | 0                    | 0                                | 0                         | 0                         | 0                                 |
| Net operating cost for the year                                     |      | (956,349)          | 0                         | (956,349)            | (470)                            | 0                         | (470)                     | (956,819)                         |
| <b>Total recognised income and expense for 2014-15</b>              |      | <b>(952,840)</b>   | <b>18,363</b>             | <b>(934,477)</b>     | <b>(85)</b>                      | <b>2,200</b>              | <b>2,115</b>              | <b>(932,362)</b>                  |
| <b>Funding:</b>   |      |                    |                           |                      |                                  |                           |                           |                                   |
| Drawn down  |      | 932,047            | 0                         | 932,047              | 0                                | 0                         | 0                         | 932,047                           |
| Movement in General Fund Debtor                                     |      | 401                | 0                         | 401                  | 0                                | 0                         | 0                         | 401                               |
| <b>Balance at 31 March 2015</b>                                     |      | <b>337,256</b>     | <b>109,601</b>            | <b>446,857</b>       | <b>35,213</b>                    | <b>9,496</b>              | <b>44,709</b>             | <b>491,566</b>                    |

# GRAMPIAN HEALTH BOARD

## NOTES TO THE ACCOUNTS

### Note 1. ACCOUNTING POLICIES

#### Authority

In accordance with the accounts direction issued by Scottish Ministers under the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on pages 42 and 43 below.

The following new standards, amendments and interpretations became effective in 2015/16 for the first time:

IFRS 13 - Fair Value Measurement;

IAS 36 – Impairment of assets on recoverable amounts disclosure (amendment); and

Charity SORP (FRS102) – application of FRS 102 to charities.

The impact on the financial statements as a result of the above is expected to be minimal. The new charity SORP introduces revised disclosure and presentational requirements that will require to be incorporated in the accounts of the Charity but this will not affect preparation of the group accounts.

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

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

IFRS 14 – Regulatory Deferral Accounts “Annual improvements 2012-2014 cycle” (new);

IFRS 15 – Revenue from Contracts with Customers (IAS 18 replacement – revenue recognition);

IFRS 9 – Financial instruments (new);

IFRS 16 – Leases (IAS 17 replacement);

IAS 1 – Disclosure Initiative (amendment);

IAS 27 – Separate Financial Statements (amendment);

IAS 16 and IAS 41 – Bearer Plants (amendment);

IAS 16 and IAS 38 – Classification of acceptable methods of depreciation and amortisation;

IFRS 11 – Accounting for acquisitions of interests in Joint operations (amendment);

IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates (amendment); and

IFRS 10, IFRS 12, IAS 28 – Investment entities: applying the consolidation exception (amendment).

IFRS 16 will be effective from financial year 2020/21 and will require most leased buildings, plant and equipment to be included as an asset with a corresponding liability on the Balance Sheet. Otherwise the impact on the financial statements as a result of the above is expected to be minimal.

#### Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board, who are appointed by Scottish Ministers.

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

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

The basis of consolidation used is Merger Accounting. The intra-group transactions between the Board and the Endowment Fund eliminated on consolidation are reflected on the face of the principal financial statements listed below:

- Consolidated Statement of Comprehensive Net Expenditure;
- Consolidated Statement of Financial Position (Balance Sheet);
- Consolidated Statement of Cash Flows; and
- Consolidated Statement of Changes in Taxpayers Equity.

### Prior Year Adjustments

There have been no changes to accounting policies during the year and therefore no adjustments to prior year figures are required to be reflected in the accounts.

### Going Concern

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

### Accounting Convention

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

### Funding

#### NHS Grampian Board

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit (RRL). Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund. All other income receivable by the board that is not classed as funding is recognised in the year in which it is receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

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

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

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

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

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### NHS Grampian Endowment Funds

All incoming resources are recognised once the NHS Grampian Endowment Funds has received its entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability. Legacies and donations to the NHS Grampian Endowment Funds are accounted for as incoming resources upon confirmation of legal entitlement and classified as restricted or unrestricted based on the donors stated wishes. Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

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

### Property, plant and equipment

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

### Recognition

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

All assets falling into the following categories are capitalised:

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

### Measurement

#### *Valuation:*

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

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

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

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

- Non specialised land and buildings, such as offices, are stated at fair value. Valuations of all land and building assets are reassessed by valuers under an agreed programme. All property assets are subject to a full professional valuation at least every 5 years, but more frequently should market forces dictate, and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government;
- Non specialised equipment, installations and fittings are stated at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is a proxy for fair value in respect of such assets which have short useful lives or low values (or both); and
- Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

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

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

### *Subsequent expenditure:*

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

### *Revaluations and Impairment:*

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Downward movements in value will be set against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter to net operating costs.

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

## **Depreciation**

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' and non operational assets which have been declared surplus cease to be depreciated upon the reclassification.

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

- 4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

|  | <b>Useful Life</b> |
|--|--------------------|
| Buildings Structure  | <b>20-75</b>       |
| Buildings Engineering  | <b>5-35</b>        |
| Moveable engineering plant and equipment and equipment and long life medical equipment | <b>10</b>          |
| Furniture and medium life medical equipment  | <b>5-10</b>        |
| Vehicles and soft furnishings  | <b>7-10</b>        |
| Office, information technology, short life medical and other equipment                 | <b>2-5</b>         |

### Intangible Assets

#### Recognition

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

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

The main classes of intangible assets recognised are:

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

Expenditure on research is not capitalised.

#### *Software:*

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

#### *Software licences:*

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

#### *Websites:*

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

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Measurement

#### *Valuation:*

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

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

#### *Revaluation and impairment:*

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Downward movements in value will be set against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter to net operating costs.

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

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

### Amortisation

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

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

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

#### **Useful Life**

Information technology

2-5

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Non-current assets held for sale

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

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

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

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

### Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual, as set out above.

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

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

### Leasing

#### Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

#### Operating leases

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



# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Leases of land and buildings

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

### PFI/HUB/NPD Schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or the Non Profit Distributing Model (NPD) are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

### Impairment of non-financial assets

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

### General Fund Receivables and Payables

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

### Inventories

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

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Losses and Special Payments

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

### Employee Benefits

#### Short-term Employee Benefits

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

### Pension Costs

The Board participates in the NHS Superannuation Scheme 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 Exchequer. The pension cost is assessed every four years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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.

### Clinical and Medical Negligence Costs

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

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

### Related Party Transactions

Material related party transactions are disclosed in line with the requirements of IAS 24. There were no material related party transactions during 2015/16. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Value Added Tax

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

### 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.

### Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 19 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 19, 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.

### Corresponding Amounts

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

### Financial Instruments

#### Financial assets

#### Classification

The Board classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the balance sheet.

#### (b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Recognition and measurement

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

#### (a) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

#### (b) Available for sale financial assets

Available for sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity in other reserves. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Net Expenditure when the Board's right to receive payments is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

### Financial Liabilities Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The NHS Board's other financial liabilities comprise trade, other payables and provisions in the balance sheet.

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

### Recognition and measurement

Financial liabilities are recognised when the NHS Board becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities

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

### Segmental reporting

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

Operating segments do not directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health, Other Non-Clinical Services and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

### Cash and cash equivalents

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

### Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

### Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in note 26 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

### Key sources of judgement, estimation and uncertainty

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

# GRAMPIAN HEALTH BOARD

## Note 1. ACCOUNTING POLICIES (cont)

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

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

**Fair Value of Property, Plant & Equipment:** Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2016, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 3 above.

# GRAMPIAN HEALTH BOARD

## 2. (a) STAFF COSTS

|   |                         |                             |                 |                  |               |                   | 2016           | 2015           |
|---|-------------------------|-----------------------------|-----------------|------------------|---------------|-------------------|----------------|----------------|
|   | Executive Board Members | Non Executive Board Members | Permanent Staff | Inward Secondees | Other Staff   | Outward Secondees | Total          | Total          |
|   | £'000                   | £'000                       | £'000           | £000s            | £'000         | £'000             | £'000          | £'000          |
| <b>STAFF COSTS</b>                                  |                         |                             |                 |                  |               |                   |                |                |
| Salaries and wages                                  | 520                     | 293                         | 444,159         | 0                | 0             | (856)             | 444,116        | 430,664        |
| Social security costs                               | 64                      | 23                          | 34,538          | 0                | 0             | 0                 | 34,625         | 32,363         |
| NHS scheme employers' costs                         | 71                      | 8                           | 56,985          | 0                | 0             | 0                 | 57,064         | 50,076         |
| Inward secondees                                    | 0                       | 0                           | 0               | 643              | 0             | 0                 | 643            | 486            |
| Agency staff  | 0                       | 0                           | 0               | 0                | 19,009        | 0                 | 19,009         | 10,697         |
|   | 655                     | 324                         | 535,682         | 643              | 19,009        | (856)             | 555,457        | 524,286        |
| Compensation for loss of office or early retirement | 0                       | 0                           | 163             | 0                | 0             | 0                 | 163            | 734            |
| <b>TOTAL</b>  | <b>655</b>              | <b>324</b>                  | <b>535,845</b>  | <b>643</b>       | <b>19,009</b> | <b>(856)</b>      | <b>555,620</b> | <b>525,020</b> |
|   |                         |                             |                 |                  |               |                   | 2016           | 2015           |
|   |                         |                             |                 |                  |               |                   | £'000          | £'000          |
|   |                         |                             |                 |                  |               |                   | 273            | 261            |

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

### Note :

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in note 23 to the accounts .

## 2. (b) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

|                      | 2016 | 2015 |
|----------------------|------|------|
|                      | No.  | No.  |
| <b>Clinicians</b>    |      |      |
| £ 50,001 to £60,000  | 275  | 284  |
| £ 60,001 to £70,000  | 152  | 132  |
| £ 70,001 to £80,000  | 83   | 88   |
| £ 80,001 to £90,000  | 72   | 85   |
| £ 90,001 to £100,000 | 64   | 67   |
| £100,001 to £110,000 | 67   | 76   |
| £110,001 to £120,000 | 60   | 59   |
| £120,001 to £130,000 | 54   | 45   |
| £130,001 to £140,000 | 42   | 49   |
| £140,001 to £150,000 | 37   | 26   |
| £150,001 to £160,000 | 30   | 26   |
| £160,001 to £170,000 | 29   | 22   |
| £170,001 to £180,000 | 16   | 5    |
| £180,001 to £190,000 | 2    | 7    |
| £190,001 to £200,000 | 8    | 4    |
| £200,001 and above   | 8    | 7    |
| <b>Other</b>         |      |      |
| £ 50,001 to £ 60,000 | 44   | 44   |
| £ 60,001 to £ 70,000 | 30   | 40   |
| £ 70,001 to £ 80,000 | 29   | 22   |
| £ 80,001 to £ 90,000 | 9    | 8    |
| £ 90,001 to £100,000 | 4    | 2    |
| £100,001 to £110,000 | 2    | 0    |
| £110,001 to £120,000 | 2    | 3    |
| £120,001 to £130,000 | 1    | 0    |
| £130,001 to £140,000 | 1    | 2    |
| £140,001 to £150,000 | 0    | 0    |
| £150,001 to £160,000 | 0    | 0    |
| £160,001 to £170,000 | 0    | 0    |
| £170,001 to £180,000 | 0    | 0    |
| £180,001 to £190,000 | 0    | 0    |
| £190,001 to £200,000 | 0    | 0    |
| £200,001 and above   | 1    | 0    |

### Note :

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

# GRAMPIAN HEALTH BOARD

## 3. OTHER OPERATING COSTS

|  | Note | 2016<br>£'000 | 2015<br>£'000 |
|--|------|---------------|---------------|
| <b>Expenditure Not Paid In Cash</b>                                |      |               |               |
| Depreciation   | 11a  | 25,277        | 25,780        |
| Amortisation   | 10   | 632           | 738           |
| Depreciation Donated Assets  | 11b  | 851           | 679           |
| Impairments on PPE charged to SOCNE                                | 11   | 6,238         | 6,442         |
| Funding Of Donated Assets  | 11b  | (3,751)       | (2,950)       |
| Profit on disposal of property, plant and equipment                |      | (2,001)       | (312)         |
| <b>Total Expenditure Not Paid In Cash</b>                          |      | <b>27,246</b> | <b>30,377</b> |
| <b>Interest Payable</b>  |      |               |               |
| PFI Finance lease charges allocated in the year                    | 22   | 1,827         | 1,605         |
| <b>Total Interest Payable</b>                                      |      | <b>1,827</b>  | <b>1,605</b>  |
| <b>Statutory Audit</b>   |      |               |               |
| Grampian Health Board External auditor's remuneration and expenses |      | 273           | 270           |

### During the year the Board purchased the following non-audit services from its auditor, Deloitte LLP :

|  |  |           |          |
|--|--|-----------|----------|
| Review of Clinical Governance Arrangements   |  | 9         | 0        |
| Taxation liability re out of hours services  |  | 9         | 0        |
| Risk analysis re property investments        |  | 6         | 0        |
| Annual audit of NHS Grampian Endowment Funds |  | 8         | 7        |
|  |  | <u>32</u> | <u>7</u> |

## 4. HOSPITAL AND COMMUNITY HEALTH SERVICES

|  | 2016<br>£'000  | 2015<br>£'000  |
|--|----------------|----------------|
| <b>BY PROVIDER</b>                                   |                |                |
| Treatment in Board area of NHSScotland Patients      | 785,870        | 740,599        |
| Other NHSScotland Bodies                             | 13,604         | 13,474         |
| Health Bodies outside Scotland                       | 1,763          | 697            |
| Primary care bodies                                  | 40             | 39             |
| Private sector                                       | 7,886          | 6,680          |
| <b>Community Care</b>                                |                |                |
| Resource Transfer                                    | 35,384         | 34,146         |
| Contributions to Voluntary Bodies and Charities      | 5,315          | 5,365          |
| <b>Total NHSScotland Patients</b>                    | <b>849,862</b> | <b>801,000</b> |
| Treatment of UK residents based outside Scotland     | 1,002          | 1,169          |
| <b>Total Hospital &amp; Community Health Service</b> | <b>850,864</b> | <b>802,169</b> |

## 5. FAMILY HEALTH SERVICE EXPENDITURE

|                             | Unified<br>Budget<br>2016<br>£'000 | Non<br>Discretionary<br>2016<br>£'000 | Total<br>2016<br>£'000 | Total<br>2015<br>£'000 |
|-----------------------------|------------------------------------|---------------------------------------|------------------------|------------------------|
| Primary Medical Services    | 87,285                             | -                                     | 87,285                 | 85,483                 |
| Pharmaceutical Services     | 101,287                            | 16,274                                | 117,561                | 113,646                |
| General Dental Services     | 7,861                              | 28,665                                | 36,526                 | 35,333                 |
| General Ophthalmic Services | 107                                | 10,149                                | 10,256                 | 10,165                 |
| <b>Total</b>                | <b>196,540</b>                     | <b>55,088</b>                         | <b>251,628</b>         | <b>244,627</b>         |

## 6. ADMINISTRATION COSTS

|  | Note       | 2016<br>£'000 | 2015<br>£'000 |
|--|------------|---------------|---------------|
| Board members' remuneration                              | Note 2 (a) | 979           | 1,370         |
| Administration of Board Meetings and Committees          |            | 128           | 177           |
| Corporate Governance and Statutory Reporting             |            | 577           | 628           |
| Health Planning, Commissioning and Performance Reporting |            | 923           | 1,136         |
| Treasury Management and Financial Planning               |            | 445           | 441           |
| Public Relations   |            | 703           | 672           |
| <b>Total Administration Costs</b>                        |            | <b>3,755</b>  | <b>4,424</b>  |



# GRAMPIAN HEALTH BOARD

## 7. (a) OTHER NON CLINICAL SERVICES - NHS GRAMPIAN

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Compensation payments - Clinical *            | 7,064         | 6,039         |
| Compensation payments - Other *               | (4)           | 617           |
| Pension enhancement & redundancy              | 324           | 648           |
| Patients' Travel Attending Hospitals          | 146           | 161           |
| Patients' Travel Highlands and Islands scheme | 15            | 15            |
| Health Promotion                              | 3,613         | 3,256         |
| Public Health                                 | 2,979         | 2,765         |
| Public Health Medicine Trainees               | 151           | 141           |
| Emergency Planning                            | 143           | 130           |
| Other   | 3,657         | 3,567         |
| <b>Total Other Non Clinical Services</b>      | <b>18,088</b> | <b>17,339</b> |

### Note :

\* Expenditure on clinical and other compensation payments reflects the net impact of claims arising during the year and reversal of provisions made in prior years and no longer required, based on the most recent advice from the Central Legal Office.

## 7. (b) OTHER NON CLINICAL SERVICES - CHARITABLE ENDOWMENT FUNDS

|   | 2015/16               |                     |                | 2014/15               |                     |                |
|---|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
|   | Unrestricted<br>£'000 | Restricted<br>£'000 | Total<br>£'000 | Unrestricted<br>£'000 | Restricted<br>£'000 | Total<br>£'000 |
| Patient & Staff Education and Welfare   | 676                   | 924                 | 1,600          | 193                   | 792                 | 985            |
| Clinical Research                       | 30                    | 835                 | 865            | 2                     | 824                 | 826            |
| Purchase of New Equipment               | 366                   | 536                 | 902            | 487                   | 660                 | 1,147          |
| Infrastructure Improvements             | 416                   | 2,300               | 2,716          | 970                   | 118                 | 1,088          |
| Investment management                   | 30                    | 138                 | 168            | 31                    | 109                 | 140            |
| <b>Total Charitable Endowment Funds</b> | <b>1,518</b>          | <b>4,733</b>        | <b>6,251</b>   | <b>1,683</b>          | <b>2,503</b>        | <b>4,186</b>   |

## 8. (a) OPERATING INCOME - NHS GRAMPIAN

|  | 2016<br>£'000  | 2015<br>£'000  |
|--|----------------|----------------|
| <b>Hospital and Community Health Services Income</b>               |                |                |
| <b>NHSScotland Bodies</b>  |                |                |
| Boards   | 16,271         | 16,241         |
| NHS Non-Scottish Bodies  | 1,098          | 1,169          |
| <b>Non NHS</b>   |                |                |
| Private Patients   | 727            | 852            |
| Compensation Income  | 1,568          | 1,221          |
| <b>Total Hospital and Community Health Services Income</b>         | <b>19,664</b>  | <b>19,483</b>  |
| <b>Family Health Service Income</b>                                |                |                |
| Unified  | 1,637          | 1,759          |
| <b>Non Discretionary</b>   |                |                |
| General Dental Services  | 6,482          | 6,263          |
| <b>Total Family Health Services Income</b>                         | <b>8,119</b>   | <b>8,022</b>   |
| <b>Other Operating Income</b>                                      |                |                |
| NHS Scotland Bodies  | 55,975         | 53,977         |
| Contributions in respect of clinical and medical negligence claims | 4,972          | 6,841          |
| Profit on disposal of property, plant and equipment                | 2,001          | 312            |
| Donated Asset Additions  | 3,751          | 2,950          |
| Other  | 21,682         | 20,625         |
| <b>Total Other Operating Income</b>                                | <b>88,381</b>  | <b>84,705</b>  |
| <b>Total Income</b>  | <b>116,164</b> | <b>112,210</b> |
| <b>Of the above, the amount derived from NHS bodies was</b>        | <b>73,344</b>  | <b>71,387</b>  |

## 8. (b) OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

|   | 2015/16               |                     |                | 2014/15               |                     |                |
|---|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
|   | Unrestricted<br>£'000 | Restricted<br>£'000 | Total<br>£'000 | Unrestricted<br>£'000 | Restricted<br>£'000 | Total<br>£'000 |
| <b>Total Income</b>                     |                       |                     |                |                       |                     |                |
| Donations                               | 85                    | 1,977               | 2,062          | 79                    | 1,497               | 1,576          |
| Legacies                                | 0                     | 1,405               | 1,405          | 2                     | 579                 | 581            |
| Investment Income                       | 326                   | 1,344               | 1,670          | 356                   | 1,203               | 1,559          |
| <b>Total Charitable Endowment Funds</b> | <b>411</b>            | <b>4,726</b>        | <b>5,137</b>   | <b>437</b>            | <b>3,279</b>        | <b>3,716</b>   |

# GRAMPIAN HEALTH BOARD

## 9. ANALYSIS OF CAPITAL EXPENDITURE

|   | Note | 2016<br>£'000 | 2015<br>£'000 |
|---|------|---------------|---------------|
| <b>EXPENDITURE</b>  |      |               |               |
| Acquisition of Intangible Assets                            | 10   | 160           | 131           |
| Acquisition of property, plant and equipment                | 11   | 10,564        | 22,386        |
| Donated Asset Additions                                     | 11b  | 3,751         | 2,950         |
| Investments in Hub Co.                                      |      | 921           | 0             |
| <b>Gross Capital Expenditure</b>                            |      | <b>15,396</b> | <b>25,467</b> |
| <b>INCOME</b>   |      |               |               |
| Net book value of disposal of property, plant and equipment |      | 34            | 94            |
| Value of disposal of Non-Current Assets held for sale       | 11c  | 358           | 223           |
| Hub repayment of Investment                                 |      | 4             | 9             |
| Donated Asset Income  |      | 3,751         | 2,950         |
| <b>Gross Capital Income</b>                                 |      | <b>4,147</b>  | <b>3,276</b>  |
| <b>Net Capital Expenditure</b>                              |      | <b>11,249</b> | <b>22,191</b> |
| <br><b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>              |      |               |               |
| Core Capital Resource Limit                                 |      | 11,249        | 12,755        |
| Non Core Capital Resource Limit                             |      | 0             | 9,436         |
| <b>Total Capital Resource Limit</b>                         |      | <b>11,249</b> | <b>22,191</b> |
| <b>Saving/(excess) against Total Capital Resource Limit</b> |      | <b>0</b>      | <b>0</b>      |

# GRAMPIAN HEALTH BOARD

## 10. INTANGIBLE ASSETS

2015/16

|  | Software<br>Licences<br>£'000 | Information<br>technology -<br>software<br>£'000 | Websites<br>£'000 | Total<br>£'000 |
|--|-------------------------------|--|-------------------|----------------|
| <b>Cost or Valuation:</b>              |                               |  |                   |                |
| As at 1 April 2015                     | 2,094                         | 2,058  | 5                 | 4,157          |
| Additions                              | 110                           | 50   | 0                 | 160            |
| Disposals                              | 0                             | (11)   | 0                 | (11)           |
| <b>As at 31 March 2016</b>             | <b>2,204</b>                  | <b>2,097</b>                                     | <b>5</b>          | <b>4,306</b>   |
| <b>Amortisation</b>                    |                               |  |                   |                |
| As at 1 April 2015                     | 962                           | 1,467  | 5                 | 2,434          |
| Provided during the year               | 401                           | 231  | 0                 | 632            |
| Disposals                              | 0                             | (11)   | 0                 | (11)           |
| <b>As at 31 March 2016</b>             | <b>1,363</b>                  | <b>1,687</b>                                     | <b>5</b>          | <b>3,055</b>   |
| <b>Net Book Value at 1 April 2015</b>  | <b>1,132</b>                  | <b>591</b>                                       | <b>0</b>          | <b>1,723</b>   |
| <b>Net Book Value at 31 March 2016</b> | <b>841</b>                    | <b>410</b>                                       | <b>0</b>          | <b>1,251</b>   |

## PRIOR YEAR

|  | Software<br>Licences<br>£'000 | Information<br>technology -<br>software<br>£'000 | Websites<br>£'000 | Total<br>£'000 |
|--|-------------------------------|--|-------------------|----------------|
| <b>Cost or Valuation:</b>              |                               |  |                   |                |
| As at 1 April 2014                     | 2,070                         | 1,951  | 5                 | 4,026          |
| Additions                              | 24                            | 107  | 0                 | 131            |
| <b>As at 31 March 2015</b>             | <b>2,094</b>                  | <b>2,058</b>                                     | <b>5</b>          | <b>4,157</b>   |
| <b>Amortisation</b>                    |                               |  |                   |                |
| As at 1 April 2014                     | 514                           | 1,177  | 5                 | 1,696          |
| Provided during the year               | 448                           | 290  | 0                 | 738            |
| <b>As at 31 March 2015</b>             | <b>962</b>                    | <b>1,467</b>                                     | <b>5</b>          | <b>2,434</b>   |
| <b>Net Book Value at 1 April 2014</b>  | <b>1,556</b>                  | <b>774</b>                                       | <b>0</b>          | <b>2,330</b>   |
| <b>Net Book Value at 31 March 2015</b> | <b>1,132</b>                  | <b>591</b>                                       | <b>0</b>          | <b>1,723</b>   |

# GRAMPIAN HEALTH BOARD

## 11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets)

|   | Land<br>(including<br>under<br>buildings)<br>£'000 | Buildings<br>(excluding<br>dwellings)<br>£'000 | Dwellings<br>£'000 | Transport<br>Equipment<br>£'000 | Plant &<br>Machinery<br>£'000 | Information<br>Technology<br>£'000 | Furniture &<br>Fittings<br>£'000 | Assets Under<br>Construction<br>£'000 | Total<br>£'000 |
|---|--|--|--------------------|---------------------------------|-------------------------------|------------------------------------|----------------------------------|---------------------------------------|----------------|
| <b>Cost or valuation</b>  |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| As at 1 April 2015  | 36,840   | 445,010  | 6,335              | 2,838                           | 123,409                       | 27,186                             | 4,989                            | 9,052                                 | 655,659        |
| Additions *   | 93   | (1,576)  | 0                  | 50                              | 5,195                         | 816                                | 7                                | 5,979                                 | 10,564         |
| Completions   | 0  | 8,108  | 0                  | 0                               | 0                             | 0                                  | 0                                | (8,108)                               | 0              |
| Transfers to assets held for sale                                     | (4,460)  | 0  | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | (4,460)        |
| Revaluation   | (816)  | (40,393)                                       | (515)              | 0                               | 0                             | 0                                  | 0                                | 0                                     | (41,724)       |
| Impairment Charge   | (982)  | (4,800)  | (42)               | 0                               | 0                             | 0                                  | 0                                | 0                                     | (5,824)        |
| Disposals   | 0  | 0  | 0                  | (206)                           | (1,677)                       | (869)                              | (22)                             | 0                                     | (2,774)        |
| <b>As at 31 March 2016</b>  | <b>30,675</b>                                      | <b>406,349</b>                                 | <b>5,778</b>       | <b>2,682</b>                    | <b>126,927</b>                | <b>27,133</b>                      | <b>4,974</b>                     | <b>6,923</b>                          | <b>611,441</b> |
| <b>Depreciation</b>   |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| As at 1 April 2015  | 0  | 6,557  | 59                 | 2,411                           | 76,739                        | 21,336                             | 3,364                            | 0                                     | 110,466        |
| Provided during the year  | 0  | 13,748   | 244                | 138                             | 8,837                         | 2,065                              | 245                              | 0                                     | 25,277         |
| Revaluation   | 0  | (18,123)                                       | (303)              | 0                               | 0                             | 0                                  | 0                                | 0                                     | (18,426)       |
| Disposals   | 0  | 0  | 0                  | (201)                           | (1,648)                       | (869)                              | (22)                             | 0                                     | (2,740)        |
| <b>As at 31 March 2016</b>  | <b>0</b>   | <b>2,182</b>                                   | <b>0</b>           | <b>2,348</b>                    | <b>83,928</b>                 | <b>22,532</b>                      | <b>3,587</b>                     | <b>0</b>                              | <b>114,577</b> |
| <b>Net Book Value at 1 April 2015</b>                                 | <b>36,840</b>                                      | <b>438,453</b>                                 | <b>6,276</b>       | <b>427</b>                      | <b>46,670</b>                 | <b>5,850</b>                       | <b>1,625</b>                     | <b>9,052</b>                          | <b>545,193</b> |
| <b>Net Book Value at 31 March 2016</b>                                | <b>30,675</b>                                      | <b>404,167</b>                                 | <b>5,778</b>       | <b>334</b>                      | <b>42,999</b>                 | <b>4,601</b>                       | <b>1,387</b>                     | <b>6,923</b>                          | <b>496,864</b> |
| <b>Open Market Value of Land in Land and Dwellings Included Above</b> | <b>3,030</b>                                       |  |                    |                                 |                               |                                    |                                  |                                       |                |
| <b>Asset financing:</b>   |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| Owned   | 30,675   | 373,382  | 5,778              | 334                             | 42,999                        | 4,601                              | 1,387                            | 6,923                                 | 466,079        |
| Finance leased  | 0  | 6,221  | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | 6,221          |
| On-balance sheet HUB contracts  | 0  | 24,564   | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | 24,564         |
| <b>Net Book Value at 31 March 2016</b>                                | <b>30,675</b>                                      | <b>404,167</b>                                 | <b>5,778</b>       | <b>334</b>                      | <b>42,999</b>                 | <b>4,601</b>                       | <b>1,387</b>                     | <b>6,923</b>                          | <b>496,864</b> |

### Note :

\*The credit figure shown as buildings additions reflects expenditure held as under construction in the prior year which on completion of the scheme has resulted in a net transfer of expenditure to revenue operating costs in 2015/16.

# GRAMPIAN HEALTH BOARD

## 11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - continued

### PRIOR YEAR

|   | Land<br>(including<br>under<br>buildings)<br>£'000 | Buildings<br>(excluding<br>dwellings)<br>£'000 | Dwellings<br>£'000 | Transport<br>Equipment<br>£'000 | Plant &<br>Machinery<br>£'000 | Information<br>Technology<br>£'000 | Furniture &<br>Fittings<br>£'000 | Assets Under<br>Construction<br>£'000 | Total<br>£'000 |
|---|--|--|--------------------|---------------------------------|-------------------------------|------------------------------------|----------------------------------|---------------------------------------|----------------|
| <b>Cost or valuation</b>  |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| As at 1 April 2014  | 37,664   | 410,447  | 6,087              | 2,934                           | 116,754                       | 26,669                             | 4,941                            | 22,784                                | <b>628,280</b> |
| Additions   | 0  | 8,372  | 0                  | 0                               | 7,195                         | 493                                | 48                               | 6,278                                 | <b>22,386</b>  |
| Completions   | 0  | 18,386   | 0                  | 0                               | 1,600                         | 24                                 | 0                                | (20,010)                              | <b>0</b>       |
| Transfers to assets held for sale                                     | (358)  | 0  | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | <b>(358)</b>   |
| Revaluation   | (466)  | 13,637   | 248                | 0                               | 0                             | 0                                  | 0                                | 0                                     | <b>13,419</b>  |
| Impairment Charge   | 0  | (5,832)  | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | <b>(5,832)</b> |
| Disposals   | 0  | 0  | 0                  | (96)                            | (2,140)                       | 0                                  | 0                                | 0                                     | <b>(2,236)</b> |
| <b>As at 31 March 2015</b>  | <b>36,840</b>                                      | <b>445,010</b>                                 | <b>6,335</b>       | <b>2,838</b>                    | <b>123,409</b>                | <b>27,186</b>                      | <b>4,989</b>                     | <b>9,052</b>                          | <b>655,659</b> |
| <b>Depreciation</b>   |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| As at 1 April 2014  | 0  | 1,617  | 0                  | 2,316                           | 69,266                        | 18,606                             | 3,122                            | 0                                     | <b>94,927</b>  |
| Provided during the year  | 0  | 12,869   | 229                | 160                             | 9,550                         | 2,730                              | 242                              | 0                                     | <b>25,780</b>  |
| Revaluation   | 0  | (7,929)  | (170)              | 0                               | 0                             | 0                                  | 0                                | 0                                     | <b>(8,099)</b> |
| Disposals   | 0  | 0  | 0                  | (65)                            | (2,077)                       | 0                                  | 0                                | 0                                     | <b>(2,142)</b> |
| <b>As at 31 March 2015</b>  | <b>0</b>   | <b>6,557</b>                                   | <b>59</b>          | <b>2,411</b>                    | <b>76,739</b>                 | <b>21,336</b>                      | <b>3,364</b>                     | <b>0</b>                              | <b>110,466</b> |
| <b>Net Book Value at 1 April 2014</b>                                 | <b>37,664</b>                                      | <b>408,830</b>                                 | <b>6,087</b>       | <b>618</b>                      | <b>47,488</b>                 | <b>8,063</b>                       | <b>1,819</b>                     | <b>22,784</b>                         | <b>533,353</b> |
| <b>Net Book Value at 31 March 2015</b>                                | <b>36,840</b>                                      | <b>438,453</b>                                 | <b>6,276</b>       | <b>427</b>                      | <b>46,670</b>                 | <b>5,850</b>                       | <b>1,625</b>                     | <b>9,052</b>                          | <b>545,193</b> |
| <b>Open Market Value of Land in Land and Dwellings Included Above</b> | <b>6,210</b>                                       |  |                    |                                 |                               |                                    |                                  |                                       |                |
| <b>Asset financing:</b>   |  |  |                    |                                 |                               |                                    |                                  |                                       |                |
| Owned   | 36,840   | 407,270  | 6,276              | 427                             | 46,670                        | 5,850                              | 1,625                            | 9,052                                 | 514,010        |
| Finance leased  | 0  | 6,493  | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | 6,493          |
| On-balance sheet HUB contracts  | 0  | 24,690   | 0                  | 0                               | 0                             | 0                                  | 0                                | 0                                     | 24,690         |
| <b>Net Book Value at 31 March 2015</b>                                | <b>36,840</b>                                      | <b>438,453</b>                                 | <b>6,276</b>       | <b>427</b>                      | <b>46,670</b>                 | <b>5,850</b>                       | <b>1,625</b>                     | <b>9,052</b>                          | <b>545,193</b> |

# GRAMPIAN HEALTH BOARD

## 11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets)

|  | <b>Buildings<br/>(excluding<br/>dwellings)<br/>£'000</b> | <b>Transport<br/>Equipment<br/>£'000</b> | <b>Plant &amp;<br/>Machinery<br/>£'000</b> | <b>Information<br/>Technology<br/>£'000</b> | <b>Furniture<br/>&amp; Fittings<br/>£'000</b> | <b>Assets<br/>Under<br/>Construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|--|--|---|---|--|------------------------|
| <b>Cost or valuation</b>               |  |  |  |   |   |  |                        |
| As at 1 April 2015                     | 12,536   | 205                                      | 4,925                                      | 818   | 89  | 0  | 18,573                 |
| Additions                              | 490  | 0  | 1,874                                      | 0   | 0   | 1,387  | 3,751                  |
| Revaluation                            | (1,017)  | 0  | 0  | 0   | 0   | 0  | (1,017)                |
| Impairment Charge                      | (414)  | 0  | 0  | 0   | 0   | 0  | (414)                  |
| Disposals                              | 0  | 0  | (8)  | 0   | 0   | 0  | (8)                    |
| <b>As at 31 March 2016</b>             | <b>11,595</b>  | <b>205</b>                               | <b>6,791</b>                               | <b>818</b>                                  | <b>89</b>                                     | <b>1,387</b>                                       | <b>20,885</b>          |
| <b>Depreciation</b>                    |  |  |  |   |   |  |                        |
| As at 1 April 2015                     | 101  | 152                                      | 3,871                                      | 146   | 31  | 0  | 4,301                  |
| Provided during the year               | 364  | 17                                       | 383  | 81  | 6   | 0  | 851                    |
| Revaluation                            | (464)  | 0  | 0  | 0   | 0   | 0  | (464)                  |
| Disposals                              | 0  | 0  | (8)  | 0   | 0   | 0  | (8)                    |
| <b>As at 31 March 2016</b>             | <b>1</b>   | <b>169</b>                               | <b>4,246</b>                               | <b>227</b>                                  | <b>37</b>                                     | <b>0</b>   | <b>4,680</b>           |
| <b>Net Book Value at 1 April 2015</b>  | <b>12,435</b>  | <b>53</b>                                | <b>1,054</b>                               | <b>672</b>                                  | <b>58</b>                                     | <b>0</b>   | <b>14,272</b>          |
| <b>Net Book Value at 31 March 2016</b> | <b>11,594</b>  | <b>36</b>                                | <b>2,545</b>                               | <b>591</b>                                  | <b>52</b>                                     | <b>1,387</b>                                       | <b>16,205</b>          |
| <b>Asset financing:</b>                |  |  |  |   |   |  |                        |
| Owned                                  | 11,594   | 36                                       | 2,545                                      | 591   | 52  | 1,387  | 16,205                 |
| <b>Net Book Value at 31 March 2016</b> | <b>11,594</b>  | <b>36</b>                                | <b>2,545</b>                               | <b>591</b>                                  | <b>52</b>                                     | <b>1,387</b>                                       | <b>16,205</b>          |

# GRAMPIAN HEALTH BOARD

## 11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - continued

### PRIOR YEAR

|  | <b>Buildings<br/>(excluding<br/>dwellings)<br/>£'000</b> | <b>Transport<br/>Equipment<br/>£'000</b> | <b>Plant &amp;<br/>Machinery<br/>£'000</b> | <b>Information<br/>Technology<br/>£'000</b> | <b>Furniture<br/>&amp; Fittings<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|--|--|---|---|------------------------|
| <b>Cost or valuation</b>               |  |  |  |   |   |                        |
| As at 1 April 2014                     | 11,239   | 192                                      | 4,708                                      | 146   | 27  | 16,312                 |
| Additions                              | 1,826  | 13                                       | 377  | 672   | 62  | 2,950                  |
| Revaluation                            | 81   | 0  | 0  | 0   | 0   | 81                     |
| Impairment Charge                      | (610)  | 0  | 0  | 0   | 0   | (610)                  |
| Disposals                              | 0  | 0  | (160)                                      | 0   | 0   | (160)                  |
| <b>As at 31 March 2015</b>             | <b>12,536</b>  | <b>205</b>                               | <b>4,925</b>                               | <b>818</b>                                  | <b>89</b>                                     | <b>18,573</b>          |
| <b>Depreciation</b>                    |  |  |  |   |   |                        |
| As at 1 April 2014                     | 2  | 135                                      | 3,793                                      | 99  | 26  | 4,055                  |
| Provided during the year               | 372  | 17                                       | 238  | 47  | 5   | 679                    |
| Revaluation                            | (273)  | 0  | 0  | 0   | 0   | (273)                  |
| Disposals                              | 0  | 0  | (160)                                      | 0   | 0   | (160)                  |
| <b>As at 31 March 2015</b>             | <b>101</b>   | <b>152</b>                               | <b>3,871</b>                               | <b>146</b>                                  | <b>31</b>                                     | <b>4,301</b>           |
| <b>Net Book Value at 1 April 2014</b>  | <b>11,237</b>  | <b>57</b>                                | <b>915</b>                                 | <b>47</b>                                   | <b>1</b>                                      | <b>12,257</b>          |
| <b>Net Book Value at 31 March 2015</b> | <b>12,435</b>  | <b>53</b>                                | <b>1,054</b>                               | <b>672</b>                                  | <b>58</b>                                     | <b>14,272</b>          |
| <b>Asset financing:</b>                |  |  |  |   |   |                        |
| Owned                                  | 12,435   | 53                                       | 1,054                                      | 672   | 58  | 14,272                 |
| <b>Net Book Value at 31 March 2015</b> | <b>12,435</b>  | <b>53</b>                                | <b>1,054</b>                               | <b>672</b>                                  | <b>58</b>                                     | <b>14,272</b>          |

# GRAMPIAN HEALTH BOARD

## 11. (c) ASSETS HELD FOR SALE

The assets held for sale at 31st March 2016 are the upper and lower old Royal Cornhill Hospital (£4.235m), Maud Hospital (0.05m) and the residential property at 431 North Deeside Road (£0.175m). The Royal Cornhill Hospital sale agreement is in two equal tranches, the first tranche was received on 21 April 2016 and the second is due on 21 April 2017. The Maud and Deeside Road properties are expected to be complete by the third quarter of 2016/17.

|  |            | <b>Property, Plant &amp; Equipment</b> |
|--|------------|--|
|  |            | <b>£'000</b>                           |
| <b>As at 1 April 2015</b>                      |            | 358                                    |
| Transfers from property, plant and equipment   | <b>11a</b> | 4,460                                  |
| Disposals for non-current assets held for sale |            | (358)                                  |
| <b>As at 31 March 2016</b>                     |            | <u>4,460</u>                           |

## PRIOR YEAR

|  |            |            |
|--|------------|------------|
| <b>As at 1 April 2014</b>  |            | 223        |
| Transfers from property, plant and equipment                           | <b>11a</b> | 358        |
| Loss recognised on remeasurement of non-current assets held for sale * |            | (223)      |
| <b>As at 31 March 2015</b>   |            | <u>358</u> |

## 11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

|  |     | <b>2016</b>           | <b>2015</b>           |
|--|-----|-----------------------|-----------------------|
|  |     | <b>£'000</b>          | <b>£'000</b>          |
| <b>Net book value of property, plant and equipment at 31 March</b> |     |                       |                       |
| Purchased  | 11a | 496,864               | 545,193               |
| Donated  | 11b | 16,205                | 14,272                |
| <b>Total</b>   |     | <u><b>513,069</b></u> | <u><b>559,465</b></u> |

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

|   |       |       |
|---|-------|-------|
| Net book value of surplus land valued at open market value at 31 March      | 3,030 | 6,210 |
| Net book value of surplus buildings valued at open market value at 31 March | 716   | 0     |

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

### Net book value

|                |                      |                      |
|----------------|----------------------|----------------------|
| Finance Leases | 6,221                | 6,493                |
| Hub Contracts  | 24,564               | 24,690               |
|                | <u><b>30,785</b></u> | <u><b>31,183</b></u> |

### Depreciation

|                |                   |                   |
|----------------|-------------------|-------------------|
| Finance leases | 0                 | 0                 |
| Hub Contracts  | 486               | 417               |
|                | <u><b>486</b></u> | <u><b>417</b></u> |

## 12. INVENTORIES

|                                      |  | <b>2016</b>  | <b>2015</b>  |
|--------------------------------------|--|--------------|--------------|
|                                      |  | <b>£'000</b> | <b>£'000</b> |
| <b>Raw Materials and Consumables</b> |  | 5,594        | 5,087        |



# GRAMPIAN HEALTH BOARD

## 13. TRADE AND OTHER RECEIVABLES

|  | NHS<br>Grampian<br>2016<br>£'000 | Charitable<br>Endowment<br>Funds<br>2016<br>£'000 | Intra Group<br>Adjustments<br>2016<br>£'000 | Group<br>2016<br>£'000 | NHS<br>Grampian<br>2015<br>£'000 | Charitable<br>Endowment<br>Funds<br>2015<br>£'000 | Intra Group<br>Adjustments<br>2015<br>£'000 | Group<br>2015<br>£'000 |
|--|----------------------------------|---|---|------------------------|----------------------------------|---|---|------------------------|
| <b>Receivables due within one year</b>                                     |                                  |   |   |                        |                                  |   |   |                        |
| NHS Scotland Boards  | 7,197                            | 0   | 0   | 7,197                  | 8,034                            | 0   | 0   | 8,034                  |
| NHS Non-Scottish Bodies  | 913                              | 0   | 0   | 913                    | 1,071                            | 0   | 0   | 1,071                  |
| VAT recoverable  | 1,314                            | 0   | 0   | 1,314                  | 955                              | 0   | 0   | 955                    |
| Prepayments  | 6,389                            | 0   | 0   | 6,389                  | 4,242                            | 0   | 0   | 4,242                  |
| Accrued income   | 4,255                            | 77  | 0   | 4,332                  | 3,656                            | 0   | 0   | 3,656                  |
| Other Receivables  | 14,617                           | 17  | (2,783)                                     | 11,851                 | 12,139                           | 91  | (1,013)                                     | 11,217                 |
| Reimbursement of provisions  | 4,792                            | 0   | 0   | 4,792                  | 6,074                            | 0   | 0   | 6,074                  |
| Other Public Sector Bodies   | 2,270                            | 0   | 0   | 2,270                  | 1,830                            | 0   | 0   | 1,830                  |
| <b>Total Receivables due within one year</b>                               | <b>41,747</b>                    | <b>94</b>   | <b>(2,783)</b>                              | <b>39,058</b>          | <b>38,001</b>                    | <b>91</b>   | <b>(1,013)</b>                              | <b>37,079</b>          |
| <b>Receivables due after more than one year</b>                            |                                  |   |   |                        |                                  |   |   |                        |
| Accrued income   | 1,550                            | 0   | 0   | 1,550                  | 1,567                            | 0   | 0   | 1,567                  |
| Reimbursement of Provisions  | 15,002                           | 0   | 0   | 15,002                 | 14,002                           | 0   | 0   | 14,002                 |
| <b>Total Receivables due after more than one year</b>                      | <b>16,552</b>                    | <b>0</b>  | <b>0</b>                                    | <b>16,552</b>          | <b>15,569</b>                    | <b>0</b>  | <b>0</b>                                    | <b>15,569</b>          |
| <b>TOTAL RECEIVABLES</b>   | <b>58,299</b>                    | <b>94</b>   | <b>(2,783)</b>                              | <b>55,610</b>          | <b>53,570</b>                    | <b>91</b>   | <b>(1,013)</b>                              | <b>52,648</b>          |
| The total receivables figure above includes a provision for bad debts of : | <b>658</b>                       | 0   | 0   | <b>658</b>             | <b>562</b>                       | 0   | 0   | <b>562</b>             |
| <b>WGA Classification</b>  |                                  |   |   |                        |                                  |   |   |                        |
| NHSScotland  | 7,197                            | 0   | 0   | 7,197                  | 8,034                            | 0   | 0   | 8,034                  |
| Central Government Bodies  | 1,459                            | 0   | 0   | 1,459                  | 1,037                            | 0   | 0   | 1,037                  |
| Whole of Government Bodies   | 2,118                            | 0   | 0   | 2,118                  | 1,748                            | 0   | 0   | 1,748                  |
| Balances with NHS Bodies in England and Wales                              | 913                              | 0   | 0   | 913                    | 1,071                            | 0   | 0   | 1,071                  |
| Balances with bodies external to Government                                | 46,612                           | 94  | (2,783)                                     | 43,923                 | 41,680                           | 91  | (1,013)                                     | 40,758                 |
| <b>Total</b>   | <b>58,299</b>                    | <b>94</b>   | <b>(2,783)</b>                              | <b>55,610</b>          | <b>53,570</b>                    | <b>91</b>   | <b>(1,013)</b>                              | <b>52,648</b>          |

# GRAMPIAN HEALTH BOARD

## 13. TRADE AND OTHER RECEIVABLES (Cont)

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Movements on the provision for impairment of receivables are as follows:</b> |              |              |
| At 1 April  | 562          | 552          |
| Provision for debtors impairment  | 100          | 15           |
| Receivables written off during the year as uncollectable                        | (4)          | (5)          |
| At 31 March   | <b>658</b>   | <b>562</b>   |

As of 31 March 2016, receivables with a carrying value of £0.658 million (2015: £0.552 million) were impaired and provided for. The aging of these receivables is as follows:

|                        | <b>2016</b>  | <b>2015</b>  |
|------------------------|--------------|--------------|
|                        | <b>£'000</b> | <b>£'000</b> |
| Over 6 months past due | <b>658</b>   | <b>562</b>   |

The receivables assessed as individually impaired were mainly English and Welsh Health Bodies, private individuals (including overseas visitors) and companies which are in unexpected difficult economic situations and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2016, receivables with a carrying value of £ 2.736 million (2014/15: £3.283 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows :

|                         | <b>2016</b>  | <b>2015</b>  |
|-------------------------|--------------|--------------|
|                         | <b>£'000</b> | <b>£'000</b> |
| Up to 3 months past due | 1,159        | 1,874        |
| 3 to 6 months past due  | 1,109        | 783          |
| Over 6 months past due  | 468          | 626          |
|                         | <b>2,736</b> | <b>3,283</b> |

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

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

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

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

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Existing customers with no defaults in the past | 2,736        | 3,283        |

The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| The carrying amount of receivables are denominated in Pounds Sterling: | 55,610       | 52,648       |

All non-current receivables are due within two years (2014/15: two years) from the balance sheet date.

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

The fair value of long term other receivables is £16.552 million (2014/15: £15.569 million)

# GRAMPIAN HEALTH BOARD

## 14. FINANCIAL ASSETS

|  | NHS<br>Grampian<br>2016<br>£'000 | Charitable<br>Endowment<br>Funds<br>2016<br>£'000 | Group<br>2016<br>£'000 | NHS<br>Grampian<br>2015<br>£'000 | Charitable<br>Endowment<br>Funds<br>2015<br>£'000 | Group<br>2015<br>£'000 |
|--|----------------------------------|---|------------------------|----------------------------------|---|------------------------|
| Stocks and Bonds **                                | 0                                | 39,972  | 39,972                 | 0                                | 42,960  | 42,960                 |
| Other *  | 1,217                            | 0   | 1,217                  | 300                              | 0   | 300                    |
| <b>TOTAL</b>                                       | <b>1,217</b>                     | <b>39,972</b>                                     | <b>41,189</b>          | <b>300</b>                       | <b>42,960</b>                                     | <b>43,260</b>          |
| At 1 April   | 300                              | 42,960  | 43,260                 | 309                              | 40,037  | 40,346                 |
| Additions  | 921                              | 10,100  | 11,021                 | 0                                | 4,846   | 4,846                  |
| Disposals  | (4)                              | (10,792)  | (10,796)               | (9)                              | (4,576)   | (4,585)                |
| Revaluation (deficit)/surplus transfered to equity | 0                                | (2,296)   | (2,296)                | 0                                | 2,653   | 2,653                  |
| At 31 March  | <b>1,217</b>                     | <b>39,972</b>                                     | <b>41,189</b>          | <b>300</b>                       | <b>42,960</b>                                     | <b>43,260</b>          |
| Current  | 0                                | 0   | 0                      | 0                                | 0   | 0                      |
| Non-current  | 1,217                            | 39,972  | 41,189                 | 300                              | 42,960  | 43,260                 |
| At 31 March  | <b>1,217</b>                     | <b>39,972</b>                                     | <b>41,189</b>          | <b>300</b>                       | <b>42,960</b>                                     | <b>43,260</b>          |

### Note:

\* Other financial assets comprise an investment of £1k in equity share capital with TMRI Ltd and a further small shareholding in HUB North of Scotland Ltd both unlisted investments denominated in UK pounds; £295k in the form of non equity long term loans repayable in full with interest over 25 years to Hub North of Scotland Ltd as part of the financing arrangements for the Aberdeen Health and Care Village, Forres and Woodside Health Centres and an additional working capital loan of £921k to Hub North of Scotland Ltd repayable in full during 2016/17 on completion of financial close for the Inverurie and Foresterhill Health Centre projects. The carrying value of other investments is cost less impairment as there is no active market for either the equity investments or the loan.

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

# GRAMPIAN HEALTH BOARD

## 15. CASH AND CASH EQUIVALENTS

|  | NHS GRAMPIAN            |                       |                         | CHARITABLE ENDOWMENT FUNDS |                       |                         | INTRA GROUP ADJUSTMENTS |                       |                         | CONSOLIDATED            |                       |                         |
|--|-------------------------|-----------------------|-------------------------|----------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|
|  | At<br>01/04/15<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/16<br>£'000 | At<br>01/04/15<br>£'000    | Cash<br>Flow<br>£'000 | At<br>31/03/16<br>£'000 | At<br>01/04/15<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/16<br>£'000 | At<br>01/04/15<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/16<br>£'000 |
| Government Banking Service account balance             | 133                     | 176                   | 309                     | 2,314                      | 848                   | 3,162                   | 0                       | 46                    | 46                      | 2,447                   | 1,070                 | 3,517                   |
| Cash at bank and in hand                               | 107                     | (75)                  | 32                      | 1                          | (1)                   | 0                       | 0                       | 0                     | 0                       | 108                     | (76)                  | 32                      |
| Cash investments and deposits                          | 0                       | 0                     | 0                       | 1,492                      | 674                   | 2,166                   | 0                       | 0                     | 0                       | 1,492                   | 674                   | 2,166                   |
| <b>Total cash and cash equivalents - balance sheet</b> | <b>240</b>              | <b>101</b>            | <b>341</b>              | <b>3,807</b>               | <b>1,521</b>          | <b>5,328</b>            | <b>0</b>                | <b>46</b>             | <b>46</b>               | <b>4,047</b>            | <b>1,668</b>          | <b>5,715</b>            |
| <b>CASH AND CASH EQUIVALENTS - PRIOR YEAR</b>          |                         |                       |                         |                            |                       |                         |                         |                       |                         |                         |                       |                         |
|  | At<br>01/04/14<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/15<br>£'000 | At<br>01/04/14<br>£'000    | Cash<br>Flow<br>£'000 | At<br>31/03/15<br>£'000 | At<br>01/04/14<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/15<br>£'000 | At<br>01/04/14<br>£'000 | Cash<br>Flow<br>£'000 | At<br>31/03/15<br>£'000 |
| Government Banking Service account balance             | 535                     | (402)                 | 133                     | 1,877                      | 437                   | 2,314                   | 0                       | 0                     | 0                       | 2,412                   | 35                    | 2,447                   |
| Cash at bank and in hand                               | 106                     | 1                     | 107                     | 439                        | (438)                 | 1                       | 0                       | 0                     | 0                       | 545                     | (437)                 | 108                     |
| Cash investments and deposits                          | 0                       | 0                     | 0                       | 1,515                      | (23)                  | 1,492                   | 0                       | 0                     | 0                       | 1,515                   | (23)                  | 1,492                   |
| <b>Total cash and cash equivalents - balance sheet</b> | <b>641</b>              | <b>(401)</b>          | <b>240</b>              | <b>3,831</b>               | <b>(24)</b>           | <b>3,807</b>            | <b>0</b>                | <b>0</b>              | <b>0</b>                | <b>4,472</b>            | <b>(425)</b>          | <b>4,047</b>            |

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

# GRAMPIAN HEALTH BOARD

## 16. TRADE AND OTHER PAYABLES

|   | Charitable                       |                                     |   |                        | Charitable                       |                                     |   |                        |
|---|----------------------------------|-------------------------------------|---|------------------------|----------------------------------|-------------------------------------|---|------------------------|
|   | NHS<br>Grampian<br>2016<br>£'000 | Endowment<br>Funds<br>2016<br>£'000 | Intra Group<br>Adjustments<br>2016<br>£'000 | Group<br>2016<br>£'000 | NHS<br>Grampian<br>2015<br>£'000 | Endowment<br>Funds<br>2015<br>£'000 | Intra Group<br>Adjustments<br>2015<br>£'000 | Group<br>2015<br>£'000 |
| <b>Payables due within one year</b>   |                                  |                                     |   |                        |                                  |                                     |   |                        |
| NHS Scotland Boards   | 5,993                            | 0                                   | 0   | 5,993                  | 8,684                            | 0                                   | 0   | 8,684                  |
| NHS Non-Scottish Bodies   | 467                              | 0                                   | 0   | 467                    | 463                              | 0                                   | 0   | 463                    |
| Amounts Payable to General Fund   | 341                              | 0                                   | 0   | 341                    | 240                              | 0                                   | 0   | 240                    |
| FHS Practitioners   | 26,397                           | 0                                   | 0   | 26,397                 | 25,297                           | 0                                   | 0   | 25,297                 |
| Trade Payables  | 2,556                            | 0                                   | 0   | 2,556                  | 4,797                            | 0                                   | 0   | 4,797                  |
| Accruals  | 33,835                           | 2,951                               | (2,737)                                     | 34,049                 | 30,390                           | 0                                   | 0   | 30,390                 |
| Deferred income   | 1,440                            | 0                                   | 0   | 1,440                  | 1,091                            | 0                                   | 0   | 1,091                  |
| Net obligations under Finance Leases  | 367                              | 0                                   | 0   | 367                    | 327                              | 0                                   | 0   | 327                    |
| Net obligations under PPP/PFI Contracts   | 351                              | 0                                   | 0   | 351                    | 319                              | 0                                   | 0   | 319                    |
| Income tax and social security  | 10,350                           | 0                                   | 0   | 10,350                 | 10,032                           | 0                                   | 0   | 10,032                 |
| Superannuation  | 7,974                            | 0                                   | 0   | 7,974                  | 7,620                            | 0                                   | 0   | 7,620                  |
| Holiday Pay Accrual   | 2,979                            | 0                                   | 0   | 2,979                  | 2,416                            | 0                                   | 0   | 2,416                  |
| Other Public Sector Bodies  | 1,353                            | 0                                   | 0   | 1,353                  | 3,312                            | 0                                   | 0   | 3,312                  |
| Other payables  | 1,790                            | 0                                   | 0   | 1,790                  | 2,086                            | 1,075                               | (1,013)                                     | 2,148                  |
| <b>Total Payables due within one year</b>   | <b>96,193</b>                    | <b>2,951</b>                        | <b>(2,737)</b>                              | <b>96,407</b>          | <b>97,074</b>                    | <b>1,075</b>                        | <b>(1,013)</b>                              | <b>97,136</b>          |
| <b>Payables due after more than one year</b>                                      |                                  |                                     |   |                        |                                  |                                     |   |                        |
| Net obligations under Finance Leases due within 2 years                           | 394                              | 0                                   | 0   | 394                    | 374                              | 0                                   | 0   | 374                    |
| Net obligations under Finance Leases due after 2 years but within 5 years         | 935                              | 0                                   | 0   | 935                    | 990                              | 0                                   | 0   | 990                    |
| Net obligations under Finance Leases due after 5 years                            | 4,133                            | 0                                   | 0   | 4,133                  | 4,464                            | 0                                   | 0   | 4,464                  |
| Net obligations under PPP/PFI Contracts due within 2 years                        | 385                              | 0                                   | 0   | 385                    | 352                              | 0                                   | 0   | 352                    |
| Net obligations under PPP/PFI Contracts due after 2 years but within 5 years      | 1,379                            | 0                                   | 0   | 1,379                  | 1,263                            | 0                                   | 0   | 1,263                  |
| Net obligations under PPP/PFI Contracts due after 5 years                         | 21,228                           | 0                                   | 0   | 21,228                 | 21,730                           | 0                                   | 0   | 21,730                 |
| <b>Total Payables due after more than one year</b>                                | <b>28,454</b>                    | <b>0</b>                            | <b>0</b>                                    | <b>28,454</b>          | <b>29,173</b>                    | <b>0</b>                            | <b>0</b>                                    | <b>29,173</b>          |
| <b>TOTAL PAYABLES</b>   | <b>124,647</b>                   | <b>2,951</b>                        | <b>(2,737)</b>                              | <b>124,861</b>         | <b>126,247</b>                   | <b>1,075</b>                        | <b>(1,013)</b>                              | <b>126,309</b>         |
| <b>WGA Classification</b>   |                                  |                                     |   |                        |                                  |                                     |   |                        |
| NHSScotland   | 5,993                            |                                     |   |                        | 8,684                            |                                     |   |                        |
| Central Government Bodies   | 18,430                           |                                     |   |                        | 17,750                           |                                     |   |                        |
| Whole of Government Bodies  | 839                              |                                     |   |                        | 3,316                            |                                     |   |                        |
| Balances with NHS Bodies in England and Wales                                     | 467                              |                                     |   |                        | 463                              |                                     |   |                        |
| Balances with bodies external to Government                                       | 98,918                           |                                     |   |                        | 96,034                           |                                     |   |                        |
| <b>Total</b>  | <b>124,647</b>                   |                                     |   |                        | <b>126,247</b>                   |                                     |   |                        |
| Borrowings included above comprise:   |                                  |                                     |   |                        |                                  |                                     |   |                        |
| Finance Leases  | 5,829                            |                                     |   |                        | 6,155                            |                                     |   |                        |
| PFI Contracts   | 23,343                           |                                     |   |                        | 23,664                           |                                     |   |                        |
|   | <b>29,172</b>                    |                                     |   |                        | <b>29,819</b>                    |                                     |   |                        |
| The carrying amount and fair value of the non-current borrowings are as follows : |                                  |                                     |   |                        |                                  |                                     |   |                        |
| <b>Carrying amount</b>  |                                  |                                     |   |                        |                                  |                                     |   |                        |
| Finance Leases  | 5,462                            |                                     |   |                        | 5,828                            |                                     |   |                        |
| PFI Contracts   | 22,992                           |                                     |   |                        | 23,345                           |                                     |   |                        |
|   | <b>28,454</b>                    |                                     |   |                        | <b>29,173</b>                    |                                     |   |                        |
| The carrying amount of payables are denominated in Pound Sterling                 | <b>124,647</b>                   | <b>2,951</b>                        | <b>(2,737)</b>                              | <b>124,861</b>         | <b>126,247</b>                   | <b>1,075</b>                        | <b>(1,013)</b>                              | <b>126,309</b>         |
| The carrying amount of short term payables approximates their fair value.         |                                  |                                     |   |                        |                                  |                                     |   |                        |

## 17. PROVISIONS

# GRAMPIAN HEALTH BOARD

## 17. PROVISIONS

|                          | NHS GRAMPIAN                                    |                                |                                     |                    |                      | CHARITABLE ENDOWMENT FUNDS            |  | Consolidated<br>Total<br>£'000 |
|--------------------------|---|--------------------------------|-------------------------------------|--------------------|----------------------|---------------------------------------|--|--------------------------------|
|                          | Pensions<br>and similar<br>obligations<br>£'000 | Clinical &<br>Medical<br>£'000 | Participation in<br>CNORIS<br>£'000 | Equal Pay<br>£'000 | Total Board<br>£'000 | Provision for<br>liabilities<br>£'000 | Total Funds<br>Held on<br>Trust<br>£'000 |                                |
| At 1 April 2015          | 5,430   | 19,420                         | 22,776                              | 13                 | 47,639               | 1,074                                 | 1,074                                    | 48,713                         |
| Arising during the year  | 398   | 8,099                          | 1,093                               | 0                  | 9,590                | 482                                   | 482                                      | 10,072                         |
| Utilised during the year | (395)   | (2,746)                        | 0                                   | 0                  | (3,141)              | (365)                                 | (365)                                    | (3,506)                        |
| Reversed unutilised      | (73)  | (3,805)                        | 0                                   | (13)               | (3,891)              | (47)                                  | (47)                                     | (3,938)                        |
| <b>At 31 March 2016</b>  | <b>5,360</b>                                    | <b>20,968</b>                  | <b>23,869</b>                       | <b>0</b>           | <b>50,197</b>        | <b>1,144</b>                          | <b>1,144</b>                             | <b>51,341</b>                  |

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

### Analysis of expected timing of discounted flows to 31 March 2016

|                                  | NHS GRAMPIAN                                    |                                |                                     |                    |                      | CHARITABLE ENDOWMENT FUNDS            |  | Consolidated<br>Total<br>£'000 |
|----------------------------------|---|--------------------------------|-------------------------------------|--------------------|----------------------|---------------------------------------|--|--------------------------------|
|                                  | Pensions<br>and similar<br>obligations<br>£'000 | Clinical &<br>Medical<br>£'000 | Participation in<br>CNORIS<br>£'000 | Equal Pay<br>£'000 | Total Board<br>£'000 | Provision for<br>liabilities<br>£'000 | Total Funds<br>Held on<br>Trust<br>£'000 |                                |
| Payable in one year              | 353   | 5,328                          | 7,018                               | 0                  | 12,699               | 639                                   | 639                                      | 13,338                         |
| Payable between 2 - 5 years      | 1,417   | 15,639                         | 9,376                               | 0                  | 26,432               | 505                                   | 505                                      | 26,937                         |
| Payable between 6 - 10 years     | 1,635   | 0                              | 873                                 | 0                  | 2,508                | 0                                     | 0  | 2,508                          |
| Thereafter                       | 1,955   | 1                              | 6,602                               | 0                  | 8,558                | 0                                     | 0  | 8,558                          |
| <b>Total as at 31 March 2016</b> | <b>5,360</b>                                    | <b>20,968</b>                  | <b>23,869</b>                       | <b>0</b>           | <b>50,197</b>        | <b>1,144</b>                          | <b>1,144</b>                             | <b>51,341</b>                  |

### PRIOR YEAR

|                          | NHS GRAMPIAN                                    |                                |                                     |                    |                | CHARITABLE ENDOWMENT FUNDS            |  | Consolidated<br>Total<br>£'000 |
|--------------------------|---|--------------------------------|-------------------------------------|--------------------|----------------|---------------------------------------|--|--------------------------------|
|                          | Pensions<br>and similar<br>obligations<br>£'000 | Clinical &<br>Medical<br>£'000 | Participation in<br>CNORIS<br>£'000 | Equal Pay<br>£'000 | Total<br>£'000 | Provision for<br>liabilities<br>£'000 | Total Funds<br>Held on<br>Trust<br>£'000 |                                |
| At 1 April 2014          | 5,288   | 15,852                         | 23,574                              | 0                  | 44,714         | 787                                   | 787                                      | 45,501                         |
| Arising during the year  | 623   | 10,760                         | 0                                   | 13                 | 11,396         | 553                                   | 553                                      | 11,949                         |
| Utilised during the year | (397)   | (5,217)                        | 0                                   | 0                  | (5,614)        | (266)                                 | (266)                                    | (5,880)                        |
| Reversed unutilised      | (84)  | (1,975)                        | (798)                               | 0                  | (2,857)        | 0                                     | 0  | (2,857)                        |
| <b>At 31 March 2015</b>  | <b>5,430</b>                                    | <b>19,420</b>                  | <b>22,776</b>                       | <b>13</b>          | <b>47,639</b>  | <b>1,074</b>                          | <b>1,074</b>                             | <b>48,713</b>                  |

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

### Analysis of expected timing of discounted flows - to 31 March 2015

|                              | NHS GRAMPIAN                                    |                                |                                     |                    |                | CHARITABLE ENDOWMENT FUNDS            |  | Consolidated<br>Total<br>£'000 |
|------------------------------|---|--------------------------------|-------------------------------------|--------------------|----------------|---------------------------------------|--|--------------------------------|
|                              | Pensions<br>and similar<br>obligations<br>£'000 | Clinical &<br>Medical<br>£'000 | Participation in<br>CNORIS<br>£'000 | Equal Pay<br>£'000 | Total<br>£'000 | Provision for<br>liabilities<br>£'000 | Total Funds<br>Held on<br>Trust<br>£'000 |                                |
| Payable in one year          | 354   | 5,311                          | 13,438                              | 13                 | 19,116         | 479                                   | 479                                      | 19,595                         |
| Payable between 2 - 5 years  | 1,423   | 14,109                         | 9,338                               | 0                  | 24,870         | 595                                   | 595                                      | 25,465                         |
| Payable between 6 - 10 years | 1,656   | 0                              | 0                                   | 0                  | 1,656          | 0                                     | 0  | 1,656                          |
| Thereafter                   | 1,997   | 0                              | 0                                   | 0                  | 1,997          | 0                                     | 0  | 1,997                          |
| <b>At 31 March 2014</b>      | <b>5,430</b>                                    | <b>19,420</b>                  | <b>22,776</b>                       | <b>13</b>          | <b>47,639</b>  | <b>1,074</b>                          | <b>1,074</b>                             | <b>48,713</b>                  |

# GRAMPIAN HEALTH BOARD

## 17. PROVISIONS (cont)

### Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.37% in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

### Charitable Endowment Funds

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

### Clinical and Medical

The Board holds a provision to meet costs of outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for the gross cost of settlement awards, legal expenses and third party costs. The impact of this provision is offset by an associated receivable disclosed in note 13, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

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

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

| 2015<br>£000's |  | Note    | 2016<br>£000's |
|----------------|--|---------|----------------|
| 19,420         | Provision recognising individual claims against the NHS Board at 31 March                    | Note 17 | 20,968         |
| (20,076)       | Associated CNORIS receivable at 31 March   | Note 13 | (19,794)       |
| 22,776         | Provision recognising the NHS Board's liability from participating in the scheme at 31 March | Note 17 | 23,869         |
| <b>22,120</b>  | <b>Net Total Provision relating to Clinical Negligence and Other Risks at 31 March</b>       |         | <b>25,043</b>  |

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

# GRAMPIAN HEALTH BOARD

## 18. MOVEMENT ON WORKING CAPITAL BALANCES

|   | Note | NHS GRAMPIAN              |                           |                       | CHARITABLE ENDOWMENT FUNDS |                           |                       | INTRA GROUP ADJUSTMENTS   |                           |                       | Consolidated Total Movement<br>£'000 | NET MOVEMENT                  |   |   |                        |       |       |
|---|------|---------------------------|---------------------------|-----------------------|----------------------------|---------------------------|-----------------------|---------------------------|---------------------------|-----------------------|--------------------------------------|-------------------------------|---|---|------------------------|-------|-------|
|   |      | Opening Balances<br>£'000 | Closing Balances<br>£'000 | Net Movement<br>£'000 | Opening Balances<br>£'000  | Closing Balances<br>£'000 | Net Movement<br>£'000 | Opening Balances<br>£'000 | Closing Balances<br>£'000 | Net Movement<br>£'000 |                                      | NHS Grampian<br>2015<br>£'000 | Charitable<br>Endowment<br>Funds<br>2015<br>£'000 | Intra group<br>Adjustments<br>2015<br>£'000 | Group<br>2015<br>£'000 |       |       |
| <b>INVENTORIES</b>  |      |                           |                           |                       |                            |                           |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Balance Sheet   | 12   | 5,087                     | 41,747                    |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Net Increase  |      |                           | 5,594                     | (507)                 |                            | 0                         |                       |                           |                           |                       | (507)                                |                               |   | (989)                                       | 0                      |       | (989) |
| <b>TRADE AND OTHER RECEIVABLES</b>                            |      |                           |                           |                       |                            |                           |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Due within one year   | 13   | 38,001                    | 41,747                    |                       | 91                         | 94                        |                       | 1,013                     | 2,783                     |                       |                                      |                               |   |   |                        |       |       |
| Due after more than one year                                  | 13   | 15,569                    | 16,552                    |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Less: Property, Plant & Equipment (Capital) included in above |      | (456)                     | (1,025)                   |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Net Increase  |      | 53,114                    | 57,274                    | (4,160)               | 91                         | 94                        |                       | 1,013                     | 2,783                     | (1,770)               | (5,933)                              |                               | (540)   | 3   | 487                    | (50)  |       |
| <b>TRADE AND OTHER PAYABLES</b>                               |      |                           |                           |                       |                            |                           |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Due within one year   | 16   | 97,074                    | 96,193                    |                       | 1,075                      | 2,951                     |                       | (1,013)                   | (2,737)                   |                       |                                      |                               |   |   |                        |       |       |
| Due after more than one year                                  | 16   | 29,173                    | 28,454                    |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Less: Property, Plant & Equipment (Capital) included in above |      | (8,021)                   | (5,056)                   |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Less: General Fund Creditor included in above                 | 16   | (240)                     | (341)                     |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Less: Lease and PFI Creditors included in above               | 16   | (29,819)                  | (29,172)                  |                       | 0                          | 0                         |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Net (Decrease)/Increase                                       |      | 88,167                    | 90,078                    | 1,911                 | 1,075                      | 2,951                     | 1,876                 | (1,013)                   | (2,737)                   | (1,724)               | 2,063                                |                               | 7,485   | 494   | (487)                  | 7,492 |       |
| <b>PROVISIONS</b>   |      |                           |                           |                       |                            |                           |                       |                           |                           |                       |                                      |                               |   |   |                        |       |       |
| Balance Sheet   | 17   | 47,639                    | 50,197                    |                       | 1,074                      | 1,144                     |                       | 0                         | 0                         |                       |                                      |                               |   |   |                        |       |       |
| Net Increase  |      |                           |                           | 2,558                 |                            |                           | 70                    |                           |                           | 0                     | 2,628                                |                               | 2,925   | 288   | 0                      | 3,213 |       |
| <b>NET MOVEMENT (Decrease)/Increase</b>                       | CFS  |                           |                           | (198)                 |                            |                           | 1,943                 |                           |                           | (3,494)               | (1,749)                              |                               | 8,881   | 785   | 0                      | 9,666 |       |



# GRAMPIAN HEALTH BOARD

## 19. CONTINGENT LIABILITIES AND ASSETS

The following contingent liabilities have not been provided for in the Accounts, as explained below ;

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>CONTINGENT LIABILITIES</b>              |             |             |
| Clinical and medical compensation payments | 5,059       | 3,466       |

### CONTINGENT ASSETS

|  |       |       |
|--|-------|-------|
| Clinical and medical compensation payments | 4,222 | 3,538 |
|--|-------|-------|

The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 17, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium risk of NHS Grampian having to make settlement. The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in note 17 above.

There are also further claims against NHS Grampian that the Central Legal Office of the Scottish Government Health Directorates estimates that there is a low risk of NHS Grampian having to make a settlement.

## 20. COMMITMENTS

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

|   | <b>2016</b>          | <b>2015</b>         |
|---|----------------------|---------------------|
|   | <b>£'000</b>         | <b>£'000</b>        |
| <b>Capital Commitments</b>              |                      |                     |
| <b>Contracted</b>                       |                      |                     |
| ARI Phase 2 Backlog Maintenance         | 3,180                | 2,116               |
| Woodend Hospital Boiler replacement     | 556                  | 822                 |
| ARI Mortuary upgrade                    | 0                    | 15                  |
| Replacement Laundry/CDU plant           | 0                    | 549                 |
| Radiotherapy Equipment replacement      | 0                    | 538                 |
| Inverurie Enabling Works                | 225                  | 0                   |
| Roxburghe House refurbishment           | 243                  | 0                   |
| Additional MRI Scanner Woodend Hospital | 1,322                | 0                   |
| <b>Total</b>                            | <b><u>5,526</u></b>  | <b><u>4,040</u></b> |
| <b>Authorised but not Contracted</b>    |                      |                     |
| Additional MRI Scanner Woodend Hospital | 0                    | 1,350               |
| ARI Phase 2 Backlog Maintenance         | 7,289                | 0                   |
| ENT/Audiology accommodation             | 1,296                | 1,700               |
| Aseptic Pharmacy                        | 1,333                | 0                   |
| Foresterhill Multi Story Car Park       | 8,804                | 0                   |
| <b>Total</b>                            | <b><u>18,722</u></b> | <b><u>3,050</u></b> |

NHS Grampian are progressing a bundled scheme for the reprovision of Inverurie and Foresterhill Health Centre's under the Scottish Government's hub initiative. Although no formal contractual commitment exists at the balance sheet date the project is well advanced with financial close expected in August 2017.

In addition final agreement on an energy performance contract with a specialist private sector firm was reached in December 2015. The scheme will deliver a range of energy efficiency measures at Foresterhill, Dr Grays and Royal Cornhill Hospital. The contractual structure involves NHS Grampian leasing the energy infrastructure, under an operating lease with a 25 year term, from our private sector partner who in turn are contractually committed to deliver guaranteed savings of circa £0.3m per annum from reduced energy consumption. These arrangements are also predicted to reduce overall carbon emissions by circa 16%.

### Financial Guarantees, indemnities and letter of comfort

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

# GRAMPIAN HEALTH BOARD

## 21. COMMITMENTS UNDER LEASES

### Operating Leases

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

| <b>Obligations under operating leases comprise:</b>         | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
|---|-----------------------|-----------------------|
| <b>Land</b>   |                       |                       |
| Not later than one year                                     | 240                   | 240                   |
| Later than one year, not later than 2 years                 | 236                   | 240                   |
| Later than two year, not later than five years              | 589                   | 628                   |
| Later than five years                                       | 1,861                 | 2,057                 |
| <b>Total</b>  | <b><u>2,926</u></b>   | <b><u>3,165</u></b>   |
| <b>Buildings</b>  |                       |                       |
| Not later than one year                                     | 537                   | 545                   |
| Later than one year, not later than 2 years                 | 535                   | 537                   |
| Later than two year, not later than five years              | 1,583                 | 1,603                 |
| Later than five years                                       | 3,688                 | 4,203                 |
| <b>Total</b>  | <b><u>6,343</u></b>   | <b><u>6,888</u></b>   |
| <b>Other</b>  |                       |                       |
| Not later than one year                                     | 404                   | 404                   |
| Later than one year, not later than 2 years                 | 362                   | 362                   |
| Later than two year, not later than five years              | 267                   | 267                   |
| Later than five years                                       | 0                     | 0                     |
| <b>Total</b>  | <b><u>1,033</u></b>   | <b><u>1,033</u></b>   |
| <b>Amounts charged to Operating Costs in the year were:</b> |                       |                       |
| Hire of equipment (including vehicles)                      | 1,266                 | 1,366                 |
| Other operating leases                                      | 1,274                 | 1,014                 |
| <b>Total</b>  | <b><u>2,540</u></b>   | <b><u>2,380</u></b>   |

### Finance Leases

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

| <b>Obligations under Finance leases comprise:</b>  |                     |                     |
|--|---------------------|---------------------|
| <b>Buildings</b>                                   |                     |                     |
| Rentals due within one year                        | 983                 | 975                 |
| Rentals due between one and two years (inclusive)  | 982                 | 982                 |
| Rentals due between two and five years (inclusive) | 2,461               | 2,621               |
| Rentals due after five years                       | 8,816               | 9,639               |
|  | <u>13,242</u>       | <u>14,217</u>       |
| Less interest element                              | (7,413)             | (8,062)             |
|  | <b><u>5,829</u></b> | <b><u>6,155</u></b> |

This total net obligation under finance leases is analysed in Note 16 (Payables).

# GRAMPIAN HEALTH BOARD

## 22. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - On Balance Sheet

Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14th November 2013, Woodside Fountain Health Centre effective 28 June 2014 and Forres Health and Community Care Centre 9 August 2014. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur charges for occupancy, maintenance and running costs. The net book value of assets financed under the HUB initiative is disclosed in note 11(a).

|  | <b>2016</b><br><b>£'000</b> | <b>2015</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| <b>Gross Minimum Lease Payments</b>            |                             |                             |
| Rentals due within 1 year                      | 2,152                       | 2,146                       |
| Due within 1 to 2 years                        | 2,158                       | 2,154                       |
| Due within 2 to 5 years                        | 6,512                       | 6,498                       |
| Due after 5 years                              | 40,714                      | 42,403                      |
| <b>Total</b>                                   | <b><u>51,536</u></b>        | <b><u>53,201</u></b>        |
| <b>Less Interest Element</b>                   |                             |                             |
| Rentals due within 1 year                      | (1,801)                     | (1,827)                     |
| Due within 1 to 2 years                        | (1,773)                     | (1,802)                     |
| Due within 2 to 5 years                        | (5,133)                     | (5,235)                     |
| Due after 5 years                              | (19,486)                    | (20,673)                    |
| <b>Total</b>                                   | <b><u>(28,193)</u></b>      | <b><u>(29,537)</u></b>      |
| <b>Present value of minimum lease payments</b> |                             |                             |
| Rentals due within 1 year                      | 351                         | 319                         |
| Due within 1 to 2 years                        | 385                         | 352                         |
| Due within 2 to 5 years                        | 1,379                       | 1,263                       |
| Due after 5 years                              | 21,228                      | 21,730                      |
| <b>Total</b>                                   | <b><u>23,343</u></b>        | <b><u>23,664</u></b>        |
| Service charges                                | 699                         | 579                         |
| Interest charges                               | 1,827                       | 1,605                       |
| Other charges                                  | (7)                         | 3                           |
| <b>Total</b>                                   | <b><u>2,519</u></b>         | <b><u>2,187</u></b>         |

## 23. PENSION COSTS

|  | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Pension cost charge for the year               | <b>57,064</b>              | <b>50,076</b>              |
| Additional Costs arising from early retirement | <b>0</b>                   | <b>705</b>                 |
| Provisions included on the Balance Sheet       | <b>5,360</b>               | <b>5,430</b>               |

NHS Grampian participates in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary; details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

The National Health Service Superannuation Scheme for Scotland is an unfunded multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19.

# GRAMPIAN HEALTH BOARD

## 23. PENSION COSTS (cont)

The most recent actuarial valuation at 31 March 2014 discloses a liability of £39.5 billion (March 2013: £29.1 billion) with £1.4 billion to be met by employing authorities. Consequently the employer's rate of contribution increased from 13.5% to 14.9% on 1 April 2015.

For 2015/16, normal employer contributions of £57.1 million were payable to the SPPA (2014/15 £50.1 million) at the rate of 14.9% (2014/15 13.5%) of pensionable salaries. The total contributions made to the scheme, across all employers, for 2014/15 were £659.8 million (2013/14 £640.5 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2014/15 was 7.6% (2013/14 7.8%).

During 2015/16 NHS Grampian incurred no additional costs arising from the early retirement of staff (2014/15 £0.705 million).

Provisions amounting to £5.36 million (2014/15 £5.43 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008 and again from 1 April 2015.

### **The new NHS Pension Scheme (Scotland) 2015**

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2015-16 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)**

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.sppa.gov.uk](http://www.sppa.gov.uk)

### **The 1995 Section**

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

### **The 2008 Section:**

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

# GRAMPIAN HEALTH BOARD

## 24. FINANCIAL INSTRUMENTS

### a FINANCIAL INSTRUMENTS BY CATEGORY

#### FINANCIAL ASSETS

|  | NHS GRAMPIAN                   |                             |                | CHARITABLE ENDOWMENT FUNDS     |                             |                | INTRA GROUP ADJUSTMENTS        |                             |                | CONSOLIDATED                   |                             |                |
|--|--------------------------------|-----------------------------|----------------|--------------------------------|-----------------------------|----------------|--------------------------------|-----------------------------|----------------|--------------------------------|-----------------------------|----------------|
|  | Loans and Receivables<br>£'000 | Available for sale<br>£'000 | Total<br>£'000 | Loans and Receivables<br>£'000 | Available for sale<br>£'000 | Total<br>£'000 | Loans and Receivables<br>£'000 | Available for sale<br>£'000 | Total<br>£'000 | Loans and Receivables<br>£'000 | Available for sale<br>£'000 | Total<br>£'000 |
| <b>At 31 March 2016</b>  |                                |                             |                |                                |                             |                |                                |                             |                |                                |                             |                |
| <b>Assets per balance sheet</b>  |                                |                             |                |                                |                             |                |                                |                             |                |                                |                             |                |
| Investments  | 0                              | 1,217                       | 1,217          | 0                              | 39,972                      | 39,972         | 0                              | 0                           | 0              | 0                              | 41,189                      | 41,189         |
| Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. | 23,605                         | 0                           | 23,605         | 94                             | 0                           | 94             | (2,783)                        | 0                           | (2,783)        | 20,916                         | 0                           | 20,916         |
| Cash and cash equivalents  | 341                            | 0                           | 341            | 5,328                          | 0                           | 5,328          | 46                             | 0                           | 46             | 5,715                          | 0                           | 5,715          |
|  | <b>23,946</b>                  | <b>1,217</b>                | <b>25,163</b>  | <b>5,422</b>                   | <b>39,972</b>               | <b>45,394</b>  | <b>(2,737)</b>                 | <b>0</b>                    | <b>(2,737)</b> | <b>26,631</b>                  | <b>41,189</b>               | <b>67,820</b>  |

#### PRIOR YEAR

|  | £'000         | £'000      | £'000         | £'000        | £'000         | £'000         | £'000          | £'000    | £'000          | £'000         | £'000         | £'000         |
|--|---------------|------------|---------------|--------------|---------------|---------------|----------------|----------|----------------|---------------|---------------|---------------|
| <b>At 31 March 2015</b>  |               |            |               |              |               |               |                |          |                |               |               |               |
| <b>Assets per balance sheet</b>  |               |            |               |              |               |               |                |          |                |               |               |               |
| Investments  | 0             | 300        | 300           | 0            | 42,960        | 42,960        | 0              | 0        | 0              | 0             | 43,260        | 43,260        |
| Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. | 20,263        | 0          | 20,263        | 91           | 0             | 91            | (1,013)        | 0        | (1,013)        | 19,341        | 0             | 19,341        |
| Cash and cash equivalents  | 240           | 0          | 240           | 3,807        | 0             | 3,807         | 0              | 0        | 0              | 4,047         | 0             | 4,047         |
|  | <b>20,503</b> | <b>300</b> | <b>20,803</b> | <b>3,898</b> | <b>42,960</b> | <b>46,858</b> | <b>(1,013)</b> | <b>0</b> | <b>(1,013)</b> | <b>23,388</b> | <b>43,260</b> | <b>66,648</b> |

#### FINANCIAL LIABILITIES

|   | Other financial liabilities<br>£'000 |               | Other financial liabilities<br>£'000 |                | Other financial liabilities<br>£'000 |              | Other financial liabilities<br>£'000 |               |
|---|--------------------------------------|---------------|--------------------------------------|----------------|--------------------------------------|--------------|--------------------------------------|---------------|
| <b>At 31 March 2016</b>   |                                      |               |                                      |                |                                      |              |                                      |               |
| <b>Liabilities per balance sheet</b>  |                                      |               |                                      |                |                                      |              |                                      |               |
| Finance lease liabilities   |                                      | 5,829         |                                      | 0              |                                      | 0            |                                      | 5,829         |
| HUB Service Concession Liabilities  |                                      | 23,343        |                                      | 0              |                                      | 0            |                                      | 23,343        |
| Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation |                                      | 69,932        |                                      | (2,951)        |                                      | 2,737        |                                      | 69,718        |
|   |                                      | <b>99,104</b> |                                      | <b>(2,951)</b> |                                      | <b>2,737</b> |                                      | <b>98,890</b> |

#### PRIOR YEAR

|  | Other financial liabilities<br>£'000 |               | Other financial liabilities<br>£'000 |              | Other financial liabilities<br>£'000 |                | Other financial liabilities<br>£'000 |               |
|--|--------------------------------------|---------------|--------------------------------------|--------------|--------------------------------------|----------------|--------------------------------------|---------------|
| <b>At 31 March 2015</b>  |                                      |               |                                      |              |                                      |                |                                      |               |
| <b>Liabilities per balance sheet</b>   |                                      |               |                                      |              |                                      |                |                                      |               |
| Finance lease liabilities  |                                      | 6,155         |                                      | 0            |                                      | 0              |                                      | 6,155         |
| HUB Service Concession Liabilities   |                                      | 23,664        |                                      |              |                                      |                |                                      | 23,664        |
| Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation |                                      | 69,001        |                                      | 1,075        |                                      | (1,013)        |                                      | 69,063        |
|  |                                      | <b>98,820</b> |                                      | <b>1,075</b> |                                      | <b>(1,013)</b> |                                      | <b>98,882</b> |

# GRAMPIAN HEALTH BOARD

## 24. FINANCIAL INSTRUMENTS (cont)

### b) FINANCIAL RISK FACTORS

#### Exposure to Risk

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

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

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

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

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

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

- **Credit Risk**

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

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

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

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

- **Liquidity Risk**

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

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

#### Liquidity Risk

|  | Less than 1<br>year<br>£'000 | Between 1<br>and 2 years<br>£'000 | Between 2 and 5<br>years<br>£'000 | Over 5<br>years<br>£'000 |
|--|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>At 31 March 2016</b>                                  |                              |                                   |                                   |                          |
| PFI Liabilities  | 2,152                        | 2,158                             | 6,512                             | 40,714                   |
| Finance lease liabilities                                | 983                          | 982                               | 2,461                             | 8,816                    |
| Trade and other payables excluding statutory liabilities | 69,932                       | 0                                 | 0                                 | 0                        |
| <b>Total</b>   | <b>73,067</b>                | <b>3,140</b>                      | <b>8,973</b>                      | <b>49,530</b>            |
|  |                              |                                   |                                   |                          |
|  | Less than 1<br>year<br>£'000 | Between 1<br>and 2 years<br>£'000 | Between 2 and 5<br>years<br>£'000 | Over 5<br>years<br>£'000 |
| <b>At 31 March 2015</b>                                  |                              |                                   |                                   |                          |
| PFI Liabilities  | 2,146                        | 2,154                             | 6,498                             | 42,403                   |
| Finance lease liabilities                                | 975                          | 982                               | 2,621                             | 9,639                    |
| Trade and other payables excluding statutory liabilities | 69,001                       | 0                                 | 0                                 | 0                        |
| <b>Total</b>   | <b>72,122</b>                | <b>3,136</b>                      | <b>9,119</b>                      | <b>52,042</b>            |

# GRAMPIAN HEALTH BOARD

## 24. FINANCIAL INSTRUMENTS - continued

### b) FINANCIAL RISK FACTORS - continued

- **Market Risk**

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

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

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

#### ii) **Foreign Currency Risk**

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

#### iii) **Price Risk**

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

- **FAIR VALUE ESTIMATION**

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

The carrying value of Stocks and Bonds (relating to charitable endowment funds) is market value. The inputs to the valuation technique used to measure the fair value of all Stocks and Bonds as disclosed in Note 14 have been assessed as level 1 in the fair value hierarchy defined in IFRS 13 i.e. they are based on quoted bid prices in an active market for identical assets and liabilities. No Stocks or Bonds have been valued using level 2 or 3 inputs in the current or prior year.

## 25. SEGMENT INFORMATION

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

|   | Aberdeen<br>City H&SCP<br>£'000 | Aberdeenshire<br>H&SCP<br>£'000 | Moray<br>H&SCP<br>£'000 | Acute<br>Sector<br>£'000 | Corporate &<br>others<br>£'000 | Mental<br>Health &<br>Learning<br>Disabilities<br>£'000 | £'000     |
|---|---------------------------------|---------------------------------|-------------------------|--------------------------|--------------------------------|---|-----------|
| Grampian Health Board Net operating cost 2016 | 73,751                          | 66,219                          | 24,547                  | 412,613                  | 372,270                        | 58,771  | 1,008,171 |
| <b>PRIOR YEAR</b>                             |                                 |                                 |                         |                          |                                |   |           |
| Grampian Health Board Net operating cost 2015 | 73,578                          | 62,818                          | 23,419                  | 375,060                  | 365,093                        | 56,381  | 956,349   |

## 26. THIRD PARTY ASSETS

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

|  | 2015<br>£000 | Gross<br>Inflows<br>£000 | Gross<br>Outflows<br>£000 | 2016<br>£000 |
|--|--------------|--------------------------|---------------------------|--------------|
| Monetary amounts including bank balances | 518          | 265                      | (319)                     | 464          |

# GRAMPIAN HEALTH BOARD

## 27. RELATED PARTIES

All three Integration Joint Boards (IJB's) in Grampian, Moray, Aberdeen City and Aberdeenshire, were formally established on 6 February 2016. Executive and Non Executive Directors of the NHS Grampian Board are appointed to represent NHS Grampian on each IJB, in addition to their NHS Board responsibilities. Full delegation of functions and resources was effective 1 April 2016 and NHS Grampian will require to consolidate the financial results of each IJB as a Joint Venture with effect from the 2016/17 financial year. For 2015/16 only minimal operating costs were reported by each IJB mainly relating to the administrative costs of the Chief Officer, Board members expenses and audit fees. The share of these costs met by NHS Grampian during 2015/16 detailed below is:-

|               | <b>2016</b> |
|---------------|-------------|
|               | <b>£000</b> |
| Moray         | <b>10</b>   |
| Aberdeenshire | <b>13</b>   |
| Aberdeen City | <b>21</b>   |

## 28. EVENTS AFTER THE END OF THE REPORTING PERIOD

NHS Grampian were notified, post year end, of a clinical negligence claim with an estimated value of £7.5m. No provision or corresponding recoverable amount has been included in the financial statements for this claim. This accounting treatment is in line with the Board's accounting policy and with the NHS Scotland Manual for Accounts issued by the Scottish Government which requires that only those claims notified prior to the balance sheet date will be reflected in the accounts. However, International Accounting Standard (IAS) 10 (Events after the Reporting Period) requires an adjustment to be made where further evidence is obtained regarding a condition that exists at the year end. Accordingly the Board would require to increase the provision by £7.5m being the CLO's estimation of the value of the claim and the probability of settlement and to offset this with a corresponding receivable recognising that the claim is recoverable through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS –see note 17). Under CNORIS, the Board is liable for the first £25k of all claims, and the Scottish Government has confirmed that it would provide NHS Grampian Annually Managed Expenditure (AME) funding for this. The Board has disclosed this as a post balance sheet event in note 28 of the financial statements and has not adjusted the financial statements as the overall net impact to the Board is nil. An uncorrected misstatement has been noted in Appendix1 to reflect the accounting treatment that would be required under International Accounting Standard (IAS) 10 (Events After the Reporting Period).





**Grampian Health Board**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006