

GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)

ANNUAL ACCOUNTS 2010-2011

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GRAMPIAN HEALTH BOARD - ANNUAL ACCOUNTS

DIRECTORS' REPORT

Naming Convention

NHS Grampian is the common name of Grampian Health Board.

Principal activities and review of the business and future developments

The information that fulfils the requirements of the business review, principal activities and future developments can be found in the Operating and Financial Review on Page 6, which is incorporated in this report by reference.

Date of Issue

The Accountable Officer authorised these financial statements for issue on 24 June 2011.

Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 76 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2007/08 to 2010/11, the Auditor General appointed David McConnell, Assistant Director (Health) Audit Scotland, to undertake the audit of Grampian Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

Grampian NHS Board is a board of governance whose membership reflects the role and function of NHS Grampian, as detailed within the Operating and Financial Review on page 6. Board members are selected and appointed through the public appointment process on the basis of their current organisational roles and particular expertise which enables them to contribute to the decision making process at a strategic level. Grampian NHS Board has collective responsibility for the performance of NHS Grampian as a whole, and reflects the partnership approach, which is essential to improving health and healthcare.

The following served as members of Grampian NHS Board during the year:

Non-Executive Members

Mr David Anderson
Councillor Lee Bell
Mr Raymond Bisset
Dr David Cameron (Chair)
Councillor Katharine Dean
Mrs Jennifer Greener (from 8 November 2010)
Professor Neva Haites
Councillor Bill Howatson
Mrs Christine Lester (from 3 November 2010)
Mrs Elizabeth McDade (to 31 March 2011)
Mr Terry Mackie
Professor Valerie Maehle
Mr Charles Muir
Dr John Reid (to 30 April 2011)
Mr Michael Scott
Mr Gordon Stephen

Executive Members

Mr Richard Carey	Chief Executive
Dr Roelf Dijkhuizen	Medical Director
Mr Alan Gall	Director of Finance and Deputy Chief Executive
Mr Mark Sinclair	Director of Human Resources and Strategic Change (to 9 June 2010)
Mrs Elinor Smith	Director of Nursing and Quality
Dr Lesley Wilkie	Director of Public Health and Planning

The Board members' responsibilities in relation to the accounts are set out in a statement on page 17.

Board Members' Interests

Details of any interests of Board Members in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 27.

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 declared in advance any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. During the year, no Board Member had to exempt themselves from any decision because of such a relationship.

Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 22 and the Remuneration Report.

Remuneration for Non Audit Work

PricewaterhouseCoopers who provide an Internal Audit Service to NHS Grampian were paid £26,888 before VAT for non-audit work.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new 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 www.nhsgrampian.org

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.

Prior to this, NHS Grampian endeavoured to comply with the principles of the Better Payment Practice Code (<http://www.payontime.co.uk>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.

Payment performance has been actively managed during the year.

In 2010/11, the average credit taken was 4 days (2009/10: 22 days).

In 2010/11, 98% of invoices by value (2009/10 77%) and 98% of invoices by volume (2009/10 76%) were paid within 30 days.

In 2010/11, 98 % of invoices by value (2009/10 37%) and 96% of invoices by volume (2009/10 25%) were paid within 10 days.

Corporate Governance

Grampian NHS Board meets regularly throughout the year to progress the business of NHS Grampian. The Board has adopted a schedule of matters reserved for its decision and is supported by the work of committees reporting to the Board.

The main functions of the committees, which under SGHD guidance must exist at unified NHS Board level, together with membership during 2010/11, were as follows:

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: Mr Charles Muir (Chair), Councillor Lee Bell, Professor Neva Haites, Mr Terry Mackie, Professor Valerie Maehle, Mr Michael Scott and a public representative.

Audit Committee

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

- The regular review of the role, function and performance of NHS Grampian's Internal Audit service;
- The review of external audit arrangements;
- 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: Councillor Bill Howatson (Chair), Mr David Anderson, Mrs Christine Lester (from March 2011), Mr Terry Mackie, Mr Charles Muir and Mr Gordon Stephen.

Staff Governance Committee

The 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 five staff governance standards and plans to achieve exemplar employer status in NHS Grampian. The five standards entitle staff to be: well informed; appropriately trained; involved in decisions that affect them; treated fairly and consistently; and provided with an improved and safe working environment. The Committee meets four times per year.

Membership: Mr Michael Scott (Chair), Mr David Anderson, Dr David Cameron, Councillor Katharine Dean, Mr Gordon Stephen, Dr John Reid (to 30 April 2011) with Executive Director and Staff Side representation.

Ethics Committees

North of Scotland Research Ethics Committees

The North of Scotland Research Ethics Committees serve the North of Scotland, encompassing Grampian, Highland and Islands, Orkney and Shetland. There are two committees which provide independent advice on the extent to which proposals for research studies comply with recognised ethical standards. The purpose of a Research Ethics Committee in reviewing proposed studies is to protect the dignity, rights, safety and well being of all actual or potential research participants. Each Committee meets approximately once a month, allowing a total of two meetings to be held on a monthly basis.

The Committees comprise lay members, expert members, nurses, other clinicians, pharmacists and research scientists

Committee 1 Chair: Dr Angus Thomson (to 30 June 2011); Professor Siladitya Bhattacharya, Consultant in Obstetrics and Gynaecology (from 1 July 2011).

Committee 2 Chair: Dr Sheila Simpson, Associate Specialist and Senior Lecturer in Clinical Genetics (to 7 May 2011); Dr Alex Johnstone, Non-Medical Research Specialist (from 8 May 2011)

Patient Focus and Public Involvement Committee

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

Membership: Mrs Elizabeth McDade (Chair – resigned 31/3/11), Mr Raymond Bisset, Councillor Bill Howatson, Mrs Jenny Greener (from February 2011) and Mrs Christine Lester (from February 2011), Mr Charles Muir, Dr John Reid (to 30 April 2011), Mr Gordon Stephen with Executive Director and extensive staff, clinical, management and public representation.

Discipline Committee

The Discipline Committee investigates matters relating to services provided by family health service practitioners and comprises a solicitor chairperson and lay and practitioner members.

Other Committees

The following committees, while not mandatory under SGHD guidance, also report directly to the Grampian NHS Board and are essential in supporting the Board to meet its objectives:-

Clinical Ethics Committee

Chairperson: Dr Ruth Stephenson, Consultant Anaesthetist.

The NHS Grampian Clinical Ethics Committee aims to provide advice to all professionals and organisations within NHS Grampian on ethical matters and to raise their awareness of ethics, as distinct from the specific issues of research ethics. The Committee provides ethical advice on clinical guidelines and helps in the development of policies for clinical care where there are ethical issues. Membership is drawn from medical clinicians from primary and secondary care and public health; non medical clinicians; a non executive member of Grampian NHS Board; a member of the public; and members with expertise in ethics/philosophy and theology.

eHealth Committee:

Chairperson: Councillor Katharine Dean

The eHealth Committee ensures that the NHS Grampian eHealth Strategy meets the requirements of the NHS Grampian Health Plan, whilst also supporting the strategic priorities of the NHS in Scotland.

Endowment Committee:

Chairperson: Mr Raymond Bisset

The Endowment Committee oversees the management of the NHS Grampian Endowment Fund, which had assets at 31 March 2011 valued at £33.4 million (31 March 2010 valued at £32.1 million).

Performance Governance Committee

Chairperson: Dr David Cameron

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

improvement. The PGC has three sub committees, one for each of the Community Health Partnerships.

Service Strategy and Redesign Committee

Chairperson: Professor Neva Haites

The Service Strategy and Redesign Committee leads the development of service strategy for NHS Grampian and oversees ongoing system and service redesign.

Spiritual Care Committee

Chairperson: Dr David Cameron

The Spiritual Care Committee supports the integrated planning and delivery of spiritual care services within NHS Grampian.

Disclosure of Information to Auditors

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

Human Resources

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. The organisation consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process.

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.

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.

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 26.

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Mr Richard Carey
Chief Executive
Grampian Health Board

24 June 2011

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Principal Activities and Review of the Year

Grampian Health Board was established in 1974 under the National Health Services (Scotland) Act 1974. Commonly known as NHS Grampian, it is responsible for commissioning services for the residents of Grampian, a total population of over half a million people.

NHS Grampian is responsible for leading efforts to improve the health of the people in Grampian, and for providing the NHS health care services that people need. It is the fourth largest health board in Scotland by general funding allocation, and consists of three Community Health Partnerships (Aberdeen City, Aberdeenshire and Moray) and an Acute Sector, all supported by services such as Facilities, E-Health, Finance and Human Resources. The Community Health Partnerships provide a focus for NHS Grampian to work in partnership with other agencies in the provision of integrated services to the local communities.

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 overall purpose of NHS Grampian 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 role of NHS Grampian is to:

- improve and protect the health of local people;
- improve health services for local people;
- reduce health inequalities;
- focus clearly on health outcomes and people's experience of their local NHS system;
- promote integrated health and community planning by working closely with other local organisations; and
- provide a single focus of accountability for the performance of the local NHS system.

The functions of NHS Grampian comprise:

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

2010/11 has seen the continuation of the implementation of the Grampian Health Plan which was approved by the Grampian NHS Board in April 2010 with the aim of transforming the health system in the area. The Health Plan was the result of significant consultation with staff, the public and partner agencies. During the consultation process there was a clear call to be more specific about the changes that were necessary in the health system and this stimulated the development of the Health and Care Framework for the area.

The Framework process has involved all stakeholders and has formulated a practical vision of how the health system should look in 2020. This, together with agreed priority areas for change, will provide a firm foundation for the preparation of plans for radical change to be implemented in the coming years to ensure that Grampian develops in an efficient and sustainable way.

Close working between the three Community Health Partnerships (CHPs) and the Acute Sector continues to integrate services on a cross system basis. This has contributed to the Board's ability to reduce dependence on inpatient beds through improved efficiency and the creation of capacity in the community and primary care. Partnerships with the local authorities also continue to strengthen in recognition of the need to more closely integrate the services of all agencies around the needs of people requiring care in their own homes and communities. The introduction of the Change Fund by the Scottish Government in 2011 has stimulated the development of local authority area specific plans to improve community care for older people. This will be the main focus for partnership working for the foreseeable future creating a structure for the organisation of the shift in activity relating to older people away from acute services to primary and care in the community services in the years to come.

NHS Grampian remained in financial balance in 2010/11 and further information on its financial performance is included in the section on Financial Performance and Position on page 8.

The Board has agreed an approach to Continuous Service Improvement (CSI), based on lean methodology, which is now firmly embedded within the culture of NHS Grampian. During the year various cross system CSI projects have successfully delivered change and contributed significantly to the delivery of financial balance in 2010/11; for example the Procurement Best Value project has achieved savings of £4.8m to date. In future years CSI is expected to be the key vehicle that will enable financial and service sustainability. In 2011/12 the continuing work in procurement is expected to deliver a further £1.8m of recurring savings. The other agreed priorities for CSI for 2011/12 will focus on Unscheduled Care , Length of Stay (reduction in in-patient beds) and Releasing Time to Care in the Community, otherwise known as "Productive Community" (increasing capacity within community teams through efficient workload planning and management).

Performance against other key targets in 2010/11 was measured using key performance indicators set by the Scottish Government Health Directorates to hold Boards to account. Information on NHS Grampian's performance in relation to these indicators is detailed in the section on Performance against Key Non Financial Targets on page 9.

Counter Fraud Services

In 2010, 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 NHS Grampian indicates that the level of income that could have been generated from prescription, dental and ophthalmic charges in the year to 31 December 2010 could amount potentially to £1.2 million (2009: £1.3 million).

Capital Assets

The Board has managed a significant capital programme during 2010/11 totalling £60.2m. Investment was targeted at supporting the strategic changes set out in the Health Plan and eliminating the backlog maintenance associated with many healthcare premises in the area. The profile of investment included £6.5m on medical equipment, £2.8m on eHealth projects, £7m on intermediate care including Chalmers Hospital in Banff and Fraserburgh Community Hospital, £34.4m on Acute and Specialist services mainly on the Foresterhill site with the ongoing development of the Emergency Care Centre and the Energy Centre and £6.9m on other infrastructure projects including additional investment on improving facilities to deal with hospital acquired infection. During 2010/11 the Grampian NHS Board agreed a revised capital development plan to ensure that maximum value is delivered within the reduced level of public finance available to support capital investment in future years as a consequence of the economic downturn.

NHS Grampian carries out a revaluation of land annually and operates a rolling programme of building revaluation to ensure all properties are formally revalued over a five year period. Interim valuations of properties, on the basis of indices, are made annually for the portion of the estate not included in that year's formal revaluation programme. The revaluation of properties as at 31 March 2011 resulted in a net decrease in the carrying value of these assets of £0.04 million.

Financial Performance and Position

The Scottish Government Health Directorates continues to set three financial limits at a health board level on an annual basis. These limits 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.

Health boards are required to contain their net expenditure within these limits, and will report on any variation from the limits as set. NHS Grampian's out-turn for the year against these limits was as follows:

	Limit as set by SGHD £000	Actual Out-turn £000	Variance (Over)/Under £000
Core Revenue Resource Limit	757,967	757,918	49
Non Core Revenue Resource Limit	28,343	28,343	-
Core Capital Resource Limit	59,753	59,753	-
Cash Requirement	887,000	886,786	214

Memorandum for In Year Out-turn

	£000
Brought forward surplus from previous financial year	(41)
Out Turn against in year Revenue Resource Limit	(8)
Net Saving against Revenue Resource Limit	(49)

An in-year surplus of **£0.008 million** was recorded for the year against a target of breakeven resulting in a small over-achievement against target.

Total efficiency savings of **£34 million** were achieved against a requirement of **£34 million**. Recurring savings amounted to **£26.8 million** and non-recurring **£7.2 million**.

Staff Governance

Work has continued throughout the year on progress towards the objectives outlined in the NHS Grampian People Strategy. Progress is jointly monitored throughout the year by both the Grampian Area Partnership Forum (GAPF) and the Staff Governance Committee.

Major achievements during the year include the development and introduction of a new, streamlined, Health and Safety Policy which is now standing as a directional document for other policies to be formulated; the design, development and delivery of a high quality induction process for directly elected members which has received excellent feedback; the implementation, in partnership, of the Safe Affordable Workforce Project which has delivered a managed reduction in staffing levels across NHS Grampian without adverse impact on patient care and the development in partnership of a short term attendance management pilot that has delivered a 20% reduction in sickness episodes. In addition, the organisation achieved both workforce related HEAT targets with 100% of Knowledge and Skills Framework (KSF) reviews complete by end March 2011 and 54% against a target of 50% Suicide Prevention training complete by 31 December 2010.

The overall sickness absence rate was 4.3% in 2010/11 (4.6% 2009/10).

Performance against Key Non Financial Targets

Key Performance Indicators

NHS Grampian has implemented a performance framework through which a culture of continuous performance improvement is supported and our Local Health Plan is progressed. The overall strategic direction of NHS Grampian is captured in a set of Objectives and, through a Balanced Scorecard approach, these are translated into key measures and targets against which progress is monitored. Measures and targets include the key performance indicators used by the Scottish Government Health Directorates to hold Boards to account. These are known as the HEAT indicators as they relate to:

- Health Improvement
- Efficiency and Governance
- Access to Services
- Treatment appropriate to Individuals

NHS Grampian's planned performance against the HEAT indicators feature in the Board's Local Delivery Plan which represents the annual performance improvement agreement between the Board and the Scottish Government. This 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, which then forms the basis of the Board's Annual Report. A full performance report is made available to the public in advance of the Annual Review which usually takes place in the autumn.

The following gives some information on Grampian's performance against key Local Delivery Plan (HEAT) targets as well as other national and local targets in 2010/11.

Health Improvement

- NHS Grampian has continued to put considerable focus on improving dental services over the last few years. The number of salaried and independent dentists has increased substantially and the new dental school in Aberdeen has opened. Performance against the national target of 80% of 3-5 year olds registered with an NHS dentist has continued to increase with 72.8% of 3-5 year olds registered as at 31st December 2010. The outcome measure that this target supports i.e. 60% primary one children with no dental decay has been exceeded at 69.2% in 2010. Grampian is now working to deliver the new HEAT target relating to 3-5 year olds receiving fluoride varnishing.
- Despite a slow start on delivering against some national lifestyle targets in 2010/11, indications are that all targets, with the exception of breastfeeding, were achieved in full by the end of March 2011. This includes delivering interventions to encourage and support a healthy childhood weight and, within general practice and other settings such as A&E, to address alcohol consumption. The target for delivering 8120 successful smoking cessation quits over a three year period was delivered and over 1495 cardiovascular health checks were undertaken within target populations in 2010/11.

Efficiency and Governance Improvements

- As detailed elsewhere in this report the Board met its three key financial targets in 2010/11.
- There has been continued focus on increasing the extent of surgery undertaken on a day case basis and within the community. Through the expansion of pre-admission assessment and more effective operational systems to support same day surgery a significant increase was delivered in 2010/11 with the March 2011 target of 79.3% British Association of Day Surgery (BADS) procedures as a daycase exceeded in all but one month since April 2010.
- As part of Continuous Service Improvement (CSI) activity and in preparation for the opening of the new Emergency Care Centre, there has been focus on reducing hospital lengths of stay. This has included the length of time people are admitted prior to a planned procedure taking place and also following an emergency admission. Both of these have fallen substantially throughout 2010/11 with targets exceeded.

Access to Services

- Good progress continued to be made in 2010/11 towards delivery of the 18 week referral to treatment standard by December 2011. Inpatient and outpatient targets set for March 2011 were met in full, without the requirement for additional 'waiting list initiatives'. Existing stage of treatment targets for outpatient, inpatient and key diagnostic tests were maintained.
- Full delivery of the 95% target for the proportion of urgent cancer referrals treated within 2 months (62 days) of referral has been problematic during 2010/11. Performance dipped to 90.9% in the quarter to December 2010. Small numbers of patients can impact on target compliance. The main issue of staff availability within the colorectal service has now been resolved and full delivery of the target is expected soon. The maximum 31 days 'decision to treat' to treatment remains in line with plan.
- 2010/11 saw the introduction of two new targets relating to access to drug and alcohol treatment services. The first relates to the time between referral to assessment and whilst improvement throughout the year can be demonstrated, performance remains under plan at 71.9% within 3 weeks at December 2010 for drugs and 66% for alcohol against a 90% target. The second target of 90% receiving a date for treatment within 4 weeks of an agreed care plan was met in full throughout 2010/11.

Treatment Appropriate to Individuals

- The NHS Board receives regular reports on all aspects of Healthcare Associated Infection and reducing infection as well as ensuring cleanliness and good clinical practice are high priorities for the Board. Whilst a generally reducing number of staphylococcus bacteraemia has been reported, the target reduction to 135 for the year ending March 2011 was not delivered with provisional figures showing the actual to be 173 identifications. The rate of Clostridium difficile infection amongst over 65s has however fallen quicker than plan with 129 infections recorded in 2010 compared to over 400 in each of the previous 4 years.
- A key tenet of NHS Grampian's Health Plan and emerging Health and Care Framework is around ensuring care is provided in the right place by the right person at the right time. There are a number of targets that measure this including attendance rates at Accident and Emergency departments, admission/readmissions to hospital, delayed discharges and the extent of health and social care provided at home. NHS Grampian and partners continue to perform well against these targets.

Sustainability and Environmental Reporting

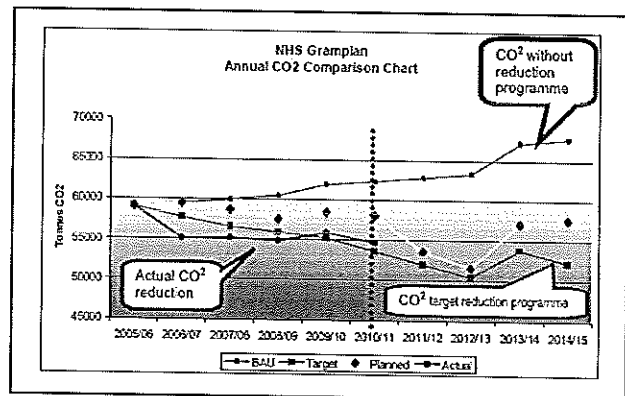
Overview

NHS Grampian has an agreed ten year Carbon Management Implementation Programme (CMIP) with the objective of reducing our carbon impact by 2% year on year. Achieving this target will meet the Scottish Government's HEAT E8 Phase 1 Target and in so doing avoid costs totalling £6.9 million and 61,000 tonnes of carbon dioxide emissions.

Recently however the Scottish Government has introduced revised targets for the period 2010-15 (the HEAT E8 Phase 2 Target) which now requires a 3% year on year fossil fuel CO₂ emission reduction and achievement of a further 1% year on year energy efficiency target across the whole asset base. NHS Grampian has incorporated these new targets in a draft Property & Asset Management Strategy 2011 – 2020 which, together with the associated steps necessary to review and update the current Carbon Management Implementation Programme in order to meet the revised targets, is currently under consideration by Senior Board Management.

This includes identification of site specific migration from fossil fuel to non-carbon alternatives, introduction of on-site renewables, new technologies and energy conservation measures.

The NHS Grampian Annual CO₂ Comparison Chart on the right highlights (the position up to and including 2010/11. Actual CO₂ emissions are slightly above target but this is primarily due to the retention and use of buildings whilst the new Emergency Care Centre at the Foresterhill Campus is under construction.



Key Environmental Performance Improvement delivery areas:

1. Review current Building Energy Management System (BEMS) criteria to ensure controls are managed according to NHS Encode standards, incorporate Water and Waste Water and that standardised time and temperature setting exist for windows, doors, heating, cooling and lighting.
2. Introduce site specific consumption and emission monitoring and reporting arrangements.
3. Ensure all future building design complies with the Simplified Building Energy Model (SBEM) calculation and carbon management criteria specifically the Building Research Establishment - Environmental Assessment Method (BREEAM) Healthcare – excellent rating for new build and very good rating for refurbishment.
4. Develop proposals for a Board-wide sustainable investment strategy to map out site specific migration from fossil fuel to non-carbon alternatives and additional energy conservation measures sufficient to meet future HEAT targets and the requirements of the Climate Change Act (CRC).
5. Reduce NHS Grampian's Transport emissions by continuing to work together with our public sector partners and develop additional shared services such as the pilot shared mail run project, and change the behavioural practices of our staff both at work and in commuting to and from it.

Specific Core Environment Performance Improvements in progress are:

1. Delivering the new Energy Centre at the Foresterhill Campus in 2011/12. The design incorporates Combined Heat and Power, Biomass steam plant and conventional energy sources. When operational the revised design will now contribute with estimated savings of 9570 Tonnes of CO₂ per annum, ensuring a reduction of at least 4% on the current NHS Grampian CMIP for 2011/12 and 15% on the first full year's use in 2012/13.
2. Delivering during 2012/13 the new Emergency Care Centre at the Foresterhill Campus, which is also under construction and has an indicative energy performance of 46 GJ/100m³.
3. Developing and lodging an application for grant funding to install a Biomass Facility at Royal Cornhill Hospital with estimated savings of 2772 Tonnes of CO₂ per annum. Further future applications for other smaller sites may be lodged where the Board-wide sustainable asset and investment strategy identifies a need and as applicable national grant schemes become available.

**Directors' Report
REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

	Salary (bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2011 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2010 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2011 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:								
Executive Members								
Chief Executive	165-170	0	(2.5)-0	50-55	1069	990	(79)	1.9
-Mr Richard Carey								
Medical Director	170-175	0	0-2.5	35-40	795	767	(28)	0
-Dr Roelf Dijkhuizen								
Director of Finance	130-135	0	0-2.5	20-25	546	558	12	3.0
- Mr Alan Gail								
Nurse Director	115-120	0	0-2.5	30-35	648	666	18	2.7
- Mrs Elinor Smith								
Director of Public Health	180-185	0	0-2.5	50-55	1193	1217	24	2.4
- Dr Lesley Wilkie								
Director of Human Resources	25-30	0	0-2.5	0-5	51	69	18	0.6
-Mr Mark Sinclair *								
Non Executive Members								
Dr David Cameron (Chairman)	30-35	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Katharine Dean	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Neva Haites	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Elizabeth McDade (to 31 March 2011) ***	10-15	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Valerie Maehle***	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Charles Muir****	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Michael Scott	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Lee Bell	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Bill Howatson****	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Dr John Reid (to 30 April 2011)	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Terry Mackie	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr David Anderson	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Raymond Bisset	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Christine Lester (from 3 November 2010)	0-5	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Jennifer Greener (from 8 November 2010)	0-5	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Gordon Stephen**	155-160	0	5-7.5	45-50	963	1061	97	0
Total								10.6

*The figures disclosed for Mr Mark Sinclair reflect the period 1st April to 9th June 2010. NHS Grampian were notified during the year by the Scottish Government Health Directorate that a pilot arrangement for an alternative NHS Board membership was to be implemented from the 10th June 2010. As part of this pilot arrangement the Executive Board Membership is restricted to Chief Executive, Medical Director, Nursing Director, Director of Public Health and Director of Finance.

** Mr Gordon Stephen is a Non-Executive Member of the Grampian NHS Board in his capacity as Employee director of NHS Grampian. All of his time is currently dedicated to his role as Employee Director. The increase in salary from 2009/10 relates to arrears of pay backdated to 1st October 2004.

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

**Directors' Report
REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

	Salary (bands of £5,000)	Performance related bonus (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2009 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2010 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:								
Executive Members								
Chief Executive	165-170	0	0-2.5	50-55	949	1043	26	1.9
- Mr Richard Carey								
Medical Director	170-175	0	0-2.5	35-40	711	775	(4)	0
- Dr Roelf Dijkhuizen								
Director of Finance	125-130	0	0-2.5	20-25	473	533	26	2.8
- Mr Alan Gall								
Nurse Director	110-115	0	0-2.5	25-30	575	632	22	2.3
- Mrs Elinor Smith								
Director of Public Health	170-175	0	0-2.5	45-50	1099	1166	(9)	2.3
- Dr Lesley Wilkie								
Director of Human Resources	120-125	0	0-2.5	0-5	30	50	9	2.2
- Mr Mark Sinclair								
Non Executive Members								
Dr David Cameron (Chairman)	30-35	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Katharine Dean	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Neva Haines	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Elizabeth McDade	10-15	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Valerie Maehle	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Charles Muir	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Michael Scott	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Bill Howatson	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Lee Bell	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Dr John Reid	10-15	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Terry Mackie	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr David Anderson	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Raymond Bisset	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Gordon Stephen	100-105	0	n/a	n/a	881	946	50	n/a
Total			0-2.5	40-45				11.5

Note 1: These figures have been restated from those contained in the 2009/10 accounts to include the Employer's Superannuation contribution in line with national guidance.

Note 2: Non Executive Board Members who were Chairs of CHP Committees and who assume additional responsibilities during the year received additional remuneration.

Note 3: The information in both remuneration tables above has been audited.

Directors' Report
REMUNERATION REPORT (continued)

Remuneration of Executive and Non-Executive Members

The remuneration of Executive and Senior Management Cohort and Non-Executive Members is determined by the Scottish Government under Ministerial Direction and in accordance with HDL(2006)23, HDL(2006)59, HDL(2007)11, CEL(2007)4, and amended by CEL(2007)22, CEL(2010)6 and CEL(2011)7.

Remuneration is defined as all amounts paid or payable by the Board including Employer's share of pension costs.

Business Interests

Members of the Grampian NHS Board declare any business interests in a Register of Interests and this is amended when any new interests are declared or existing interests cease. 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.

Remuneration Committee

The Remuneration Committee meets approximately 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, in particular.
- Approving, in the context of relevant Regional/National policy, the Strategic Themes and Corporate Objectives of NHS Grampian the Personal Objectives of all Executive/Corporate Directors.
- Receiving formal reports on the operation of remuneration arrangements and the outcomes of the annual assessment of performance and remuneration for each of the Executive/Corporate Directors and of the organisation as a whole.
- 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 Mike Scott (Chair), Mr David Anderson, Dr David Cameron, Councillor Katharine Dean, Dr John Reid, and Mr Gordon Stephen.

Board Members Contracts of Employment

The Executive Board members of NHS Grampian are employed on permanent contracts of employment. The Non-Executive members are ministerial appointments on contracts of between two and four years.

Assessment of Performance

The performance assessment process requires each board member to set objectives for the year. Performance in relation to the achievement of these objectives is monitored, culminating in a final review meeting that takes place at the end of the year. The performance assessment process for the Executive and Senior Management Cohort is in accordance with HDL(2006)23, HDL(2006)54 and HDL(2006)59.

Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of NHS Grampian in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members is undertaken by the Chief Executive and 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 Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy.

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.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

24 June 2011

.....

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2010/11

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's Financial Reporting Manual and in particular to:

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

I 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.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

24 June 2011

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2010/11

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 2011 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 Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

..... **Dr David Cameron**
Chairman
.....
Grampian Health Board

..... **Mr Alan Gall**
Director of Finance
.....
Grampian Health Board

24 June 2011

GRAMPIAN HEALTH BOARD

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

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

- A Board which meets regularly to consider the plans and strategic direction of the organisation (the Board comprises the senior management of the organisation and Non-Executive members).
- Single system governance and risk management arrangements with clear supporting lines of accountability and agreed scheme of delegation and standing orders.
- The consideration by the Board of periodic reports from the chairs of the performance governance, staff governance, clinical governance and audit committees, concerning any significant matters on governance, risk and internal controls.
- Robust prioritisation of risks and allocation of responsibility for mitigating action to named senior officers.
- A strong 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.
- 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 strategic change projects and implementation of improvement actions to lead directors and sector management across all our clinical and non clinical activities.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This process has been in place for the year up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Government Health Directorates.

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 risk management strategy clearly sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian and the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action.
- The effectiveness of the Boards Clinical Governance and Risk Management standards is subject to independent assessment by internal audit and peer review by NHS Quality Improvement Scotland.
- We have implemented an assurance framework which is used by each of the core governance committees to identify and assess risks that fall within their remit. During the year we undertook a further review of the Committee remits and their specific responsibilities for risk management.
- Risk Control Plans have been established for each sector which set out the steps being taken to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects.
- 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.
- We have implemented an IT web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents in line with our risk management strategy.
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.
- Focusing of the strategic service design projects underpinning the Continuous Service Improvement programmes in order to address areas of financial pressure and/or support more effective delivery of patient care.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2011 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's system of internal control:

- Implemented an Efficiency and Productivity Programme Management Office (EPPMO). The EPPMO has overseen the implementation of a programme of work designed to secure significant recurring financial savings and improve the effectiveness and efficiency across our clinical and non clinical services.
- Comprehensive and organisation wide review of our risks and updating of the corporate risk register and further development of the risk management arrangements at an operational level. The revised strategic risk register has been endorsed by the Board.
- Establishment of an Induction Steering Group to revise and improve the Staff Induction Programme.
- The revision of Health and Safety policies and procedures to streamline processes and the establishment of new Health and Safety Committees at a regional level.

NHS Grampian is also committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds. The Board is committed to incorporating the principles of best value within its planning, performance and delivery activities.

Best value is part of everyday business and integral to the Board's decision making in all key areas. To further progress the embedding of a culture of best value across the organisation, NHS Grampian completed a comprehensive baseline assessment against the 5 generic and 2 cross-cutting themes defined in the guidance to Accountable Officers in relation to their duties for Best Value. The work undertaken on the Best Value assessment, together with the establishment of the EPPMO demonstrates the commitment the Board has to driving improvement and embedding best value across all services. This will be particularly important in supporting the Board address known financial and activity pressures.

During the financial year ending 31 March 2012 we will continue to seek opportunities to enhance the Board's system of internal control with a specific focus on delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework.
- The work of the Internal Auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement.
- Comments made by the External Auditors in their management letters and other reports.

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

- The approval of annual statements of assurance from each of the core governance committees of the Board.
- Independent consideration of the statement on internal control and its disclosures by Internal Audit, the Audit Committee and the Assurance Framework Steering Group.
- Consideration and approval of the annual accounts, including the Statement on Internal Control by the Board. During the year, minutes of the meetings of the core governance committees were provided to all Board members. At each Board meeting the Chairs of these governance committees are given the opportunity to raise or highlight any significant matters.

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

During the year ended 31 March 2011, there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

24 June 2011

Independent Auditor's Report

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

I have audited the financial statements of Grampian Health Board for the year ended 31 March 2011 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Balance Sheet, the Cash Flow Statement, the 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 2010/11 Government Financial Reporting Manual (the 2010/11 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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I 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 (set out on page 16), 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 receipts. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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 board's circumstances 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. In addition, I read all the financial and non-financial information in the Directors' Report, Operating and Financial Review and that part of the Remuneration Report which is not audited to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my 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 the board's affairs as at 31 March 2011 and of its 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 2010/11 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 my opinion in all material respects the expenditure and receipts 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 my opinion:

- the part of the Remuneration 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 Operating and Financial Review and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance;
or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell
Assistant Director of Audit (Health)
Audit Scotland
7th floor, Plaza Tower
EAST KILBRIDE
G74 1LW
2011

24 June

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £000	Restated 2010 £000
Clinical Services Costs			
Hospital and Community	4	688,413	683,062
Less: Hospital and Community Income	8	<u>18,687</u>	<u>17,602</u>
		<u>669,726</u>	<u>665,460</u>
Family Health Services	5	225,067	218,434
Less: Family Health Service Income	8	<u>8,578</u>	<u>8,487</u>
		<u>216,489</u>	<u>209,947</u>
Total Clinical Services Costs		<u>886,215</u>	<u>875,407</u>
Administration Costs	6	4,424	4,665
Less: Administration Income	8	<u>0</u>	<u>0</u>
		<u>4,424</u>	<u>4,665</u>
Other Non-Clinical Services	7	15,324	22,508
Less: Other Operating Income	8	<u>72,398</u>	<u>75,977</u>
		<u>(57,074)</u>	<u>(53,469)</u>
Net Operating Costs	24	<u>833,565</u>	<u>826,603</u>
OTHER COMPREHENSIVE NET EXPENDITURE			
Net loss on revaluation of Property Plant and Equipment		7,239	8,935
Net loss on revaluation of Intangibles		0	0
Net loss on revaluation of Available for Sale Financial Assets		0	0
Other Comprehensive Expenditure		<u>7,239</u>	<u>8,935</u>
Total Comprehensive Expenditure		<u>840,804</u>	<u>835,538</u>

Please note that prior year figures are restated to reflect the impact of a recent change in accounting policy which resulted in the removal of the cost of capital charge. This adjustment is explained in further detail in Notes 1 and 24 to the accounts.

**SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2011**

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	£000
Net Operating Costs	833,565
Total Non Core Expenditure	(28,343)
FHS Non Discretionary Allocation	(47,304)
Total Core Expenditure	757,918
Core Revenue Resource Limit	757,967
Savings/(excess) against Core Revenue Resource Limit	<u>49</u>

**SUMMARY OF NON CORE REVENUE RESOURCE
OUTTURN**

Capital Grants to/(from) Other Bodies	465	
Depreciation/Amortisation	20,380	
Annually Managed Expenditure – Impairments	7,239	
Annually Managed Expenditure – Creation of Provisions	259	
IFRS PFI Expenditure	<u>0</u>	
Total Non Core Expenditure		28,343
Non Core Revenue Resource Limit		28,343
Savings/(excess) against Non Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN	Resource £000	Expenditure £000	Savings/(Excess) £000
Core	757,967	757,918	49
Non Core	28,343	28,343	0
Total	<u>786,310</u>	<u>786,261</u>	<u>49</u>

BALANCE SHEET AS AT 31 MARCH 2011

	Note	As at 31/3/2011 £000	As at 31/3/2010 £000
Non-current assets:			
Property, plant and equipment	11	443,062	404,955
Intangible Assets	10	1,813	1,007
Financial assets :			
Available for sale financial assets	14	1	1
Trade and other receivables	13	7,546	6,687
Total non-current assets		<u>452,422</u>	<u>412,650</u>
Current assets :			
Inventories	12	3,566	3,673
Financial assets:			
Trade and other receivables	13	31,471	28,518
Cash and cash equivalents	15	522	3,304
Assets classified as held for sale	11c	257	320
Total current assets		<u>35,816</u>	<u>35,815</u>
Total assets		<u>488,238</u>	<u>448,465</u>
Current liabilities			
Provisions	17	(2,630)	(3,204)
Financial liabilities :			
Trade and other payables	16	(85,521)	(106,838)
Total current liabilities		<u>(88,151)</u>	<u>(110,042)</u>
Non-current assets (less) net current liabilities		<u>400,087</u>	<u>338,423</u>
Non-current liabilities			
Provisions	17	(9,306)	(10,036)
Financial liabilities:			
Trade and other payables	16	(6,904)	(7,055)
Total non-current liabilities		<u>(16,210)</u>	<u>(17,091)</u>
Assets less liabilities		<u>383,877</u>	<u>321,332</u>
Taxpayers' Equity			
General Fund		299,593	239,314
Revaluation reserve		71,187	68,789
Donated asset reserve		12,983	13,138
Government grant reserve		114	91
Total taxpayers' equity		<u>383,877</u>	<u>321,332</u>

Adopted by the Board on 24 June 2011

Mr Richard Carey
Chief Executive

Mr Alan Gall
Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £000	2011 £000	Restated 2010 £000
Cash flows from operating activities				
Net Operating cost		(833,565)		(826,603)
Adjustments for non-cash transactions	3	27,473		29,870
Add back : interest payable recognised in net operating cost	3	742		565
Deduct: interest receivable recognised in net operating cost	8	0		0
(Increase)/decrease in trade and other receivables	18	(3,812)		393
(Increase)/decrease in inventories	18	107		504
Increase/(decrease) in trade and other payables	18	(17,515)		(4,007)
Increase/(decrease) in provisions	18	(1,304)		3,210
Net cash outflow from operating activities		(827,874)		(796,068)
Cash flows from investing activities				
Purchase of property, plant and equipment		(60,539)		(52,247)
Purchase of intangible assets		(732)		(664)
Proceeds of disposal of property, plant and equipment		465		420
Interest received		0		0
Net cash outflow from investing activities			(60,806)	(52,491)
Cash flows from financing activities				
Funding		889,568		847,175
Movement in general fund working capital		(2,782)		1,595
Cash drawn down		886,786		848,770
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(146)		1,949
Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(742)		(565)
Net Financing			885,898	850,154
Net Increase/(decrease) in cash and cash equivalents in the period				
			(2,782)	1,595
Cash and cash equivalents at the beginning of the period			3,304	1,709
Cash and cash equivalents at the end of the period			522	3,304
Reconciliation of net cash flow to movement in net debt/cash				
Increase/(decrease) in cash in year			(2,782)	1,595
Net debt/cash at 1 April	15		3,304	1,709
Net debt/cash at 31 March	15		522	3,304

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Note	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Other Reserve £000	Government Grant Reserve £000	Total Reserves £000
Balance at 31 March 2010		239,314	68,789	13,138	0	91	321,332
Prior year adjustments for changes in accounting policy and material errors.		0	0	0	0	0	0
Restated balance at 1 April 2010		<u>239,314</u>	<u>68,789</u>	<u>13,138</u>	<u>0</u>	<u>91</u>	<u>321,332</u>
Changes in taxpayers' equity for 2010/11							
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11		6,674	275			6,949
Net gain/(loss) on revaluation/indexation of intangible assets	10					197	197
Impairment of property, plant and equipment	11		(7,239)				(7,239)
Receipt of donated assets	11b			322			322
Revaluation & impairments taken to operating costs	3		7,239	0			7,239
Release of reserves to the Statement of Comprehensive Net Expenditure	11b			(752)		(174)	(926)
Transfers between reserves		4,276	(4,276)				0
Other non cash costs							
Net operating cost for the year		(833,565)					(833,565)
Total recognised income and expense for 2010/11		<u>(829,289)</u>	<u>2,398</u>	<u>(155)</u>	<u>0</u>	<u>23</u>	<u>(827,023)</u>
Funding:							
Drawn down		886,786	-	-	-	-	886,786
Movement in General Fund (Creditor)/Debtor		2,782	-	-	-	-	2,782
Balance at 31 March 2011		<u>299,593</u>	<u>71,187</u>	<u>12,983</u>	<u>0</u>	<u>114</u>	<u>383,877</u>

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2010 – (RESTATED)

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Other Reserve	Government Grant Reserve	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2009		223,720	96,895	14,958	-	102	335,675
Prior year adjustments for changes in accounting policy and material errors, including First Time Adoption of IFRS		(5,454)	1,978	-	-	-	(3,476)
Restarted balance at 1 April 2009		<u>218,266</u>	<u>98,873</u>	<u>14,958</u>	<u>-</u>	<u>102</u>	<u>332,199</u>
Changes in taxpayers' equity for 2009/10							
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	-	(25,257)	(1,268)	-	-	(26,525)
Net gain/(loss) on revaluation/indexation of intangible assets	10	-	-	-	-	1	1
Impairment of property, plant and equipment	11	-	(8,935)	-	-	-	(8,935)
Receipt of donated assets	11b	-	-	236	-	-	236
Revaluation & impairments taken to operating costs	3	-	4,584	0	-	-	4,584
Release of reserves to the Statement of Comprehensive Net Expenditure	11b	-	-	(788)	-	(12)	(800)
Transfers between reserves		476	(476)	-	-	-	-
Net operating cost for the year		<u>(826,603)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(826,603)</u>
Total recognised income and expense for 2009/10		<u>(826,127)</u>	<u>(30,084)</u>	<u>(1,820)</u>	<u>-</u>	<u>(11)</u>	<u>(858,042)</u>
Funding:							
Drawn down		848,770	-	-	-	-	848,770
Movement in General Fund (Creditor)/Debtor		<u>(1,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,595)</u>
Balance at 31 March 2010		<u>239,314</u>	<u>68,789</u>	<u>13,138</u>	<u>-</u>	<u>91</u>	<u>321,332</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1. Authority

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

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

2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the NHS Grampian Endowment Funds. Transactions between the Board and the NHS Grampian Endowment Funds are disclosed as related party transactions, where appropriate, in note 27.

3. Prior Year Adjustments

Chapter 11 of the 2010/11 FReM amends the financial regime of health bodies to remove the Cost of Capital charge with effect from 1st April 2010. This is a change in accounting policy that will require an adjustment to the prior period reported figures in order to properly reflect the revised costs under the current financial regime. The cost of capital charge of £11.416m for 2009/10 has been removed from the comparative figures in the Statement of Comprehensive Net Expenditure and Cash Flow Statement together with Notes 3 and 4.

4. Going Concern (Restated)

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

5. Accounting Convention

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

6. Funding (Restated)

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

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

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

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

Non discretionary funding 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.

7. Property, plant and equipment

The treatment of capital assets e.g. Property, Plant and Equipment in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual (<http://www.show.scot.nhs.uk/sehd/FPMA/manuals.htm>.)

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations 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).

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.

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.

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

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

7.3 Depreciation

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in off-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.
- 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:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Internally generated 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.

Carbon Emissions (Intangible Assets):

A cap and trade scheme gives rise to an asset for allowances held, a government grant and a liability for the obligation to deliver allowances equal to emissions that have been made.

Intangible Assets, such as EU Greenhouse Gas Emission Allowances intended to be held for use on a continuing basis whether allocated by government or purchased are classified as intangible assets. Allowances that are issued for less than their fair value are measured initially at their fair value.

When allowances are issued for less than their fair value, the difference between the amount paid and fair value is revaluation and charged to the government grant reserve. The government grant reserve is charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

A provision is recognised for the obligation to deliver allowances equal to emissions that have been made. It is measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This will usually be the present market price of the number of allowances required to cover emissions made up to the balance sheet date.

Websites:

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

8.2 Measurement

Valuation:

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

Subsequently intangible assets 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.

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

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

8.3 Amortisation

Intangible asset 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.
- 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

9. Non-current assets held for sale

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

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

10. 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 value of donated assets is credited to the Donated Asset Reserve. Where a donation covers only part of the total cost of the asset concerned, only that element is included in the Donated Asset Reserve.

The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual (<http://www.show.scot.nhs.uk/sehd/FPMA/manuals.htm>). Gains and losses on revaluations are also taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Statement of Comprehensive Net Expenditure. Similarly, any impairment on donated assets charged to the Statement of Comprehensive Net Expenditure is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the General Reserve.

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

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

12. Leasing

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. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to interest payable in the Statement of Comprehensive Net Expenditure.

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

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 five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency.

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

18. Clinical and Medical Negligence Costs

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

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

19. Related Party Transactions

Material related party transactions are disclosed in note 27 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or

included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. Provisions

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

22. Contingencies

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

23. Corresponding Amounts

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

24. Financial Instruments

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) Financial assets at fair value through profit or loss

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

(b) 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.

(c) 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.

Recognition and measurement

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

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

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

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

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

(b) 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.

(c) 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.

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

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

(b) 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 and other payables in the balance sheet.

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.

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

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

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

(b) Other financial liabilities

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

25. Segmental reporting

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

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

26. Cash and cash equivalents

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

27. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the 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.

28. Third party assets

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

However, they are disclosed in note 29 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

29. Key sources of judgement, estimation and uncertainty

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

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies.

(a) Changes in Accounting Estimates

Asset Lives : In 2010-11, a revised methodology for the assessment of asset lives has been adopted across NHS Scotland to ensure greater compliance with IAS 16 *Property, Plant and Equipment* and to more faithfully reflect the actual pattern of consumption of depreciated replacement cost assets. The key change in the basis of estimation is to recognise the requirement for regular maintenance and preservation expenditure on certain elements of the building and align the lives of these elements with the overall life of the building.

(b) Estimation Uncertainty

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.

Equal Pay Claims: NHS Grampian has 135 outstanding claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. NHS Grampian has used the advice from the NHS Scotland Central Legal Office and Equal Pay Unit. It is not practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that any such estimate would be likely to be misleading.

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

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 category 2 which have been assessed as having a probability of settlement.

Fair Value of Property, Plant & Equipment: where appropriate, buildings and other tangible fixed assets were revalued on the basis of indices at 31 March 2011. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor.

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

2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2010-11 Total £000	2009-10 Total £000
STAFF COSTS								
Salaries and wages	701	305	399,981	-	-	(626)	400,361	397,078
Social security costs	79	28	31,869	-	-	-	31,976	32,542
NHS pension scheme employer's costs	91	18	45,614	-	-	-	45,723	46,201
Other employer's pension costs	-	-	-	-	-	-	-	-
Inward secondees	-	-	-	285	-	-	285	469
Agency staff	-	-	-	-	563	-	563	1,367
	871	351	477,464	285	563	(626)	478,908	477,657
Compensation for loss of office or early retirement	-	-	2,305	-	-	-	2,305	2,400
Total	871	351	479,769	285	563	(626)	481,213	480,057

2011
£000
715

2010
£000
617

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

2a STAFF NUMBERS AND COSTS cont

STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	2010-11 ANNUAL MEAN	2009-10 ANNUAL MEAN
Administration (relates to administration costs detailed in note 6)	43.3	45.4
Hospital and Community Services	8,267.3	8,662.9
Non Clinical Services	3,507.0	3,653.6
Other, including recharge Trading Accounts	-	-
Inward Secondees	5.5	11.0
Agency Staff	14.8	36.0
Outward Secondees	(9.9)	(9.7)
Board Total Average Staff	11,828.0	12,399.2
Staff with a Disability	<u>74.0</u>	<u>87.0</u>
	16.3	14.3

The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in note 22 to the accounts.

2 (b) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2010-11 No.	2009-10 No.
Clinicians		
£50,000 to £60,000	276	265
£60,001 to £70,000	134	158
£70,001 to £80,000	96	102
£80,001 to £90,000	75	81
£90,001 to £100,000	62	55
£100,001 to £110,000	66	68
£110,001 to £120,000	55	61
£120,001 to £130,000	48	40
£130,001 to £140,000	39	48
£140,001 to £150,000	29	29
£150,001 to £160,000	26	16
£160,001 to £170,000	14	15
£170,001 to £180,000	5	12
£180,001 to £190,000	6	3
£190,001 to £200,000	4	6
£200,001 and above	6	5
Other		
£50,000 to £60,000	69	73
£60,001 to £70,000	32	42
£70,001 to £80,000	20	20
£80,001 to £90,000	4	9
£90,001 to £100,000	2	2
£100,001 to £110,000	3	5
£110,001 to £120,000	4	1
£120,001 to £130,000	2	0
£130,001 to £140,000	0	1
£140,001 to £150,000	3	2
£150,001 to £160,000	0	1
£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	1	0
£200,001 and above	0	0

3. OTHER OPERATING COSTS

	Note	2011 £000	2010 (Restated) £000
Expenditure Not Paid in Cash			
Depreciation	11	20,257	23,330
Amortisation	10	123	27
Impairments on property, plant and equipment charged to SOCNE	11	7,239	4,584
Revaluation EC Carbon Emissions taken to Govt Grant	10	(197)	(1)
(Profit)/Loss on disposal of property, plant and equipment	9	28	1,930
Other non cash costs - transfer of emissions from deferred income to government grant reserve		23	0
Total Expenditure Not Paid in Cash		27,473	29,870
Interest Payable			
Other Finance lease charges allocated in the year		742	565
Total		742	565
Statutory Audit			
External auditor's remuneration and expenses		305	320

The categories of spend disclosed above are included within the Net Operating Costs within the Statement of Comprehensive Net Expenditure.

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2011 £000	2010 (Restated) £000
BY PROVIDER		
Treatment in Board area of NHS Scotland Patients	636,070	631,780
Other NHS Scotland Bodies	12,008	11,560
Health Bodies outside Scotland	1,311	868
Primary Care Bodies	46	46
Private Sector	1,356	1,626
Community Care		
Resource Transfer	31,580	31,537
Contributions to Voluntary Bodies and Charities	4,854	4,462
Total NHSScotland Patients	687,225	681,879
Treatment of UK residents based outside Scotland	1,188	1,183
Total Hospital & Community Health Services	688,413	683,062

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget Non Discretionary		Total 2011	Total 2010
	£000	£000	£000	£000
Primary Medical Services	80,483	-	80,483	79,069
Pharmaceutical Services	91,808	16,502	108,310	105,220
General Dental Services	80	27,351	27,431	25,166
General Ophthalmic Services	52	8,791	8,843	8,979
Total	172,423	52,644	225,067	218,434

6. ADMINISTRATION COSTS

	Note	2011 £000	2010 £000
Board Members' Remuneration	2(a)	1,222	1,257
Administration of Board Meetings and Committees		210	220
Corporate Governance and Statutory Reporting		617	701
Health Planning, Commissioning and Performance Reporting		1,102	1,270
Treasury Management and Financial Planning		459	462
Public Relations		814	755
Total Administration Costs		4,424	4,665

7. OTHER NON-CLINICAL SERVICES

	2011 £000	2010 £000
Nurse Teaching	0	0
Closed Hospital Charges	0	0
Compensation Payments – Clinical *	1,337	5,278
Compensation Payments – Other	130	149
Pension Enhancement & Redundancy	1,883	3,069
Patients' Travel Attending Hospitals	302	233
Patients' Travel Highlands and Islands scheme	24	19
Health Promotion	4,495	4,073
Public Health	3,221	3,704
Public Health Medicine Trainees	84	177
Emergency Planning	124	121
Loss on Disposal of Non Current Assets	47	2,068
Other	3,677	3,617
Total Other Non-Clinical Services	15,324	22,508

* The reduction in Clinical Compensation payments reflects the estimated cost of outstanding claims arising during the year, based on the most recent advice from the Central Legal Office

8. OPERATING INCOME	2011	2010
	£000	£000
HCH Income		
NHS Scotland Bodies		
Boards	14,794	13,907
NHS Non-Scottish Bodies	1,187	1,183
Non NHS		
Private Patients	955	747
Compensation Income	1,751	1,765
Total HCH Income	<u>18,687</u>	<u>17,602</u>
FHS Income		
Unified	3,238	4,085
Non Discretionary		
General Dental Services	5,340	4,402
Total FHS Income	<u>8,578</u>	<u>8,487</u>
Other Operating Income		
NHS Scotland Bodies	46,277	46,013
Contributions in respect of Clinical/Medical negligence claims *	1,244	4,875
Profit on disposal of non-current assets	19	138
Transfer from Donated Asset Reserve in respect of Depreciation	673	789
Interest Received	-	-
Other **	24,185	24,162
Total Other Operating Income	<u>72,398</u>	<u>75,977</u>
Total Income	<u>99,663</u>	<u>102,066</u>
Of the above, the amount derived from NHS bodies is	<u>59,245</u>	<u>58,415</u>

* The reduction in income in respect of Clinical/Medical Negligence claims reflects the extent to which income will be received through the Scottish Government Health Directorate's risk sharing arrangements to partially offset the cost of outstanding claims arising during the year.

** Other income represents income generated from charges for a range of services provided to other bodies for the use of NHS services and accommodation. This includes charges for the use of NHS facilities, secondment of NHS employed staff with other public sector partners, charges to staff for residential accommodation, meals and laundry.

9. ANALYSIS OF CAPITAL EXPENDITURE	Note	2011	2010
EXPENDITURE		£000	£000
Acquisition of Intangible Fixed Assets	10	732	664
Acquisition of Property, Plant and Equipment	11a	59,514	53,773
Donated Asset Additions	11b	322	236
Release from donated asset reserve		(322)	(236)
Capital Grants to/(from) Other Bodies		0	1,776
(Profit)/Loss on disposal of non-current assets	3	0	1,930
Gross Capital Expenditure		<u>60,246</u>	<u>58,143</u>
INCOME			
Net book value of disposal of Property, Plant and Equipment		173	2,350
Value of disposal of Non-Current Assets held for sale	11c	<u>320</u>	<u>0</u>
Capital Income		<u>493</u>	<u>2,350</u>
Net Capital Expenditure		<u>59,753</u>	<u>55,793</u>
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		<u>59,753</u>	<u>55,793</u>
Savings/(excess) against Capital Resource Limit		<u>0</u>	<u>0</u>

10. INTANGIBLE FIXED ASSETS	Software Licences	Information Technology-Software	EC Carbon Emissions	Websites	Total
	£000	£000	£000	£000	£000
Cost or Valuation :					
At 1 April 2010		520	535	5	1,060
Additions	54	503	175	-	732
Revaluation		-	197	-	197
At 31 March 2011	54	1,023	907	5	1,989
Amortisation					
At 1 April 2010		48	-	5	53
Provided during the year	18	105	-	-	123
At 31 March 2011	18	153	0	5	176
Net Book Value at 1 April 2010	0	472	535	0	1,007
Net Book Value at 31 March 2011	36	870	907	0	1,813

The EC Carbon Emissions relate to allowances granted to NHS Grampian under the European Greenhouse Gas Emissions Trading Scheme.

10. INTANGIBLE FIXED ASSETS, cont – Prior Year	Information Technology- software £000	EC Carbon Emissions £000	Websites £000	Total £000
Cost or Valuation :				
As 1 April 2009	73	317	5	395
Additions	447	217		664
Revaluation		1		1
At 31 March 2010	<u>520</u>	<u>535</u>	<u>5</u>	<u>1,060</u>
Amortisation				
At 1 April 2009	21	-	5	26
Provided during the year	27	-		27
At 31 March 2010	<u>48</u>	<u>-</u>	<u>5</u>	<u>53</u>
Net Book Value at 1 April 2009	<u>52</u>	<u>317</u>	<u>0</u>	<u>369</u>
Net Book Value at 31 March 2010	<u>472</u>	<u>535</u>	<u>0</u>	<u>1,007</u>

11. (a) PROPERTY, PLANT and EQUIPMENT(Purchased Assets)

	Land Buildings (including under dwellings buildings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture and Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2010	27,179	275,622	3,153	94,382	25,952	5,633	27,788	465,693
Additions	152	16,834	73	7,591	2,081	35	32,748	59,514
Completions	0	7,820	0	178	0	0	(7,998)	0
Transfers	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	(165)	(92)	0	0	0	0	0	(257)
Revaluation	(182)	6,446	0	0	0	0	0	6,405
Impairment Charge	(244)	(6,995)	0	0	0	0	0	(7,239)
Disposals	(120)	0	(161)	(1,293)	(4,154)	(345)	0	(6,073)
At 31 March 2011	26,620	299,635	3,065	100,858	23,879	5,323	52,538	518,043
Depreciation								
At 1 April 2010	0	701	2,439	49,603	16,074	5,059	0	73,876
Provided during the year	0	9,371	161	7,638	2,787	104	0	20,257
Transfers	0	0	0	0	0	0	0	0
Revaluation	0	(271)	0	0	0	0	0	(269)
Disposals	0	0	(159)	(1,243)	(4,154)	(344)	0	(5,900)
At 31 March 2011	0	9,801	2,441	55,998	14,707	4,819	0	87,964
Net Book Value at 1 April 2010	27,179	274,921	714	44,779	9,878	574	27,788	391,817
Net Book Value at 31 March 2011	26,620	289,834	624	44,860	9,172	504	52,538	430,079
Open Market Value of Land in Land and Dwellings Included Above	3,900							
Asset financing:								
Owned	26,620	283,280	624	44,860	9,172	504	52,538	423,525
Finance leased	0	6,554	0	0	0	0	0	6,554
Net Book Value at 31 March 2011	26,620	289,834	624	44,860	9,172	504	52,538	430,079

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR									
	Land buildings) under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation									
At 1 April 2009	22,791	308,022	12,831	3,124	90,254	22,637	5,690	18,798	484,147
Additions	1,464	17,827	303	248	9,168	2,251	153	22,339	53,773
Completions	4	11,878	(5,080)			1,467		(13,349)	0
Transfers	3,053	2,027							0
Transfers (to)/from non- current assets held for sale	110								110
Revaluation	278	(53,244)	(1,957)						(54,923)
Impairment Charge		(8,822)	(113)						(8,935)
Disposals	(541)	(2,066)		(219)	(5,040)	(403)	(210)		(8,479)
At 31 March 2010	27,179	275,622	5,984	3,153	94,382	25,952	5,633	27,788	465,693
Depreciation									
At 1 April 2009		16,522	313	2,445	47,683	14,242	5,136		86,341
Provided during the year		13,435	461	209	6,862	2,235	128		23,330
Transfers		176	(176)						0
Revaluation		(29,068)	(598)						(29,666)
Disposals		(364)		(215)	(4,942)	(403)	(205)		(6,129)
At 31 March 2010	0	701	0	2,439	49,603	16,074	5,059	0	73,876
Net Book Value at 1 April	22,791	291,500	12,518	679	42,571	8,395	554	18,798	397,806
Net Book Value at 31 March 2010	27,179	274,921	5,984	714	44,779	9,878	574	27,788	391,817
Open Market Value of Land in Land and Dwellings Included Above	3,900		0						
Asset financing: Owned	27,179	267,975	5,984	714	44,779	9,878	574	27,788	384,871
Finance leased		6,946							6,946
Net Book Value at 31 March 2010	27,179	274,921	5,984	714	44,779	9,878	574	27,788	391,817

11. (b) Property, Plant and Equipment (Donated Assets)

	Land (land holdings and land underlying buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation At 1 April 2010	79	11,778	0	164	4,095	78	30	16,224
Additions	0	0	0	7	315	0	0	322
Revaluation	0	280	0	0	0	0	0	280
Disposals	(79)	0	0	0	(121)	0	0	(200)
At 31 March 2011	0	12,058	0	171	4,289	78	30	16,626
Depreciation At 1 April 2010	0	0	0	119	2,875	70	22	3,086
Provided during the year	0	342	0	10	316	2	3	673
Revaluation	0	5	0	0	0	0	0	5
Disposals	0	0	0	0	(121)	0	0	(121)
At 31 March 2011	0	347	0	129	3,070	72	25	3,643
Net Book Value at 1 April 2010	79	11,778	0	45	1,220	8	8	13,138
Net Book Value at 31 March 2011	0	11,711	0	42	1,219	6	5	12,983
Open Market Value of Land in Land and Dwellings Included above	0	0	0	0	0	0	0	0
Asset financing: Owned	0	11,711	0	42	1,219	6	5	12,983
Net Book Value at 31 March 11	0	11,711	0	42	1,219	6	5	12,983

11. (b) PROPERTY, PLANT AND EQUIPMENT (DONATED ASSETS) – PRIOR YEAR

	Land (Land holdings and land underlying buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation								
At 1 April 2009	84	13,758	0	119	4,300	75	44	18,380
Additions	0	0	0	45	181	10	0	236
Revaluation	(5)	(1,980)	0	0	0	0	0	(1,985)
Disposals	0	0	0	0	(386)	(7)	(14)	(407)
At 31 March 2010	79	11,778	0	164	4,095	78	30	16,224
Depreciation								
At 1 April 2009	0	250	0	109	2,955	75	33	3,422
Provided during the year	0	467	0	10	306	2	3	788
Revaluation	0	(717)	0	0	0	0	0	(717)
Disposals	0	0	0	0	(386)	(7)	(14)	(407)
At 31 March 2010	0	0	0	119	2,875	70	22	3,086
Net Book Value at 1 April 2009	84	13,508	0	10	1,345	0	11	14,958
Net Book Value at 31 March 2010	79	11,778	0	45	1,220	8	8	13,138
Open Market Value of Land in Land and Dwellings Included above	0		0					
Asset financing: Owned	79	11,778	0	45	1,220	8	8	13,138
Net Book Value at 31 March 2010	79	11,778	0	45	1,220	8	8	13,138

11.(c) ASSETS HELD FOR SALE

The following assets relating to Balgownie Day Care Centre and residential property at Cults have been presented as held for sale following the approval for sale by the Grampian NHS Board. The expected completion date of sale is November 2011 for Balgownie Day Care Centre and December 2011 for the Cults property.

	Note	Property, Plant & Equipment £000	Intangible Assets £000	Total £000
At 1 April 2010		320	0	320
Transfer (to)/from property, plant and equipment	11a	257		257
Transfer (to)/from intangible assets	10		0	
Gain or Losses recognised on remeasurement of non-current assets held for sale		0	0	0
Disposals for non-current assets held for sale		(320)	0	(320)
As at 31 March 2011		257	0	257
At 1 April 2009		430	0	430
Transfer (to)/from property, plant and equipment	11a	(110)		(110)
Transfer (to)/from intangible assets	10		0	
Gain or Losses recognised on remeasurement of non-current assets held for sale		0	0	0
Disposals for non-current assets held for sale		0	0	0
As at 31 March 2010		320	0	320

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES	Note	2011 £000	2010 £000
Net book value of tangible fixed assets at 31 March			
Purchased	11a	430,079	391,817
Donated	11b	<u>12,983</u>	<u>13,138</u>
Total		<u>443,062</u>	<u>404,955</u>

Tangible Fixed assets include 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	<u>3,900</u>	<u>3,900</u>
Net book value of surplus buildings valued at open market value at 31 March	<u>0</u>	<u>0</u>

Tangible Fixed assets include assets held under Finance Leases	6,554	6,946
Total depreciation charged in respect of assets held under Finance Leases	391	388

Land and 20% of Buildings were fully revalued by the Valuation Office Agency (VOA) at 31 March 2011 on the basis of fair value (market value or depreciated replacement cost where appropriate). Other tangible fixed assets were revalued on the basis of indices at 31 March 2011.

The revaluation of Land and Buildings resulted in a net reduction of £0.04 million in the carrying value of these assets (2009/10: £28.1 million) with £0.2 million credited to the revaluation reserve (2009/10 £26.2 million charged to revaluation reserve) and £0.24 million charged to the Statement of Comprehensive Net Expenditure (2009/10 £1.9 million).

12. INVENTORIES	2011 £000	2010 £000
Raw Materials and Consumables	3,566	3,673

13. TRADE AND OTHER RECEIVABLES	2011	2010
	£000	£000
Receivables due within one year:		
NHS Scotland		
- SGHD	0	0
- Boards	7,089	5,126
Total NHS Scotland Receivables	7,089	5,126
NHS Non-Scottish Bodies	604	600
VAT recoverable	1,084	981
Prepayments	3,493	3,083
Accrued income	2,546	2,301
Other Receivables	11,609	12,801
Reimbursement of Provisions	1,323	1,872
Other Public Sector Bodies	3,723	1,754
Total Receivables due within one year	31,471	28,518
Receivables due after more than one year		
NHS Scotland		
Prepayments	188	96
Accrued Income	2,065	1,763
Reimbursement of Provisions	5,293	4,828
Total receivables due after more than one year	7,546	6,687
TOTAL RECEIVABLES	39,017	35,205
The total receivables figure above includes a provision for bad debt of :	126	130
WGA Classification		
NHS Scotland	7,089	5,126
Central Government Bodies	1,431	1,107
Whole of Government Bodies	3,376	2,225
Balances with NHS Bodies in England and Wales	604	600
Balances with bodies external to Government	26,517	26,147
Total	39,017	35,205
Movements on the provision for impairment of debtors are as follows:	2011	2010
	£000	£000
As at 30 April 2010	130	102
Provision for debtors impairment	5	117
Receivables written off during the year as uncollectible	(9)	(89)
As at 31 March 2011	126	130

As of 31 March 2011, debtors with a carrying value of £0.126 million (£0.13 million 2009/10) were impaired and provided for. The amount of the provision was £0.126 million (£0.13 million 2009/10). The ageing of these receivables is as follows:

	2011 £000	2010 £000
Over 6 months past due	<u>126</u>	<u>130</u>

The receivables assessed as individually impaired were mainly 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 six months past their due date are not considered impaired. As at 31 March 2011, debtors of carrying value of £1.396 million (£1.077 million 2009/10) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2011 £000	2010 £000
Up to 3 months past due	479	627
3 to 6 months past due	322	207
Over 6 months past due	<u>595</u>	<u>243</u>
	<u>1,396</u>	<u>1,077</u>

The receivables assessed as past due but not impaired were mainly other NHS or government bodies and individuals/organisations with agreed payment schedules and there is no history of default from these customers recently.

Concentration of credit risk is limited due to the customer base being large and a significant proportion being 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 counter party default rates is used.

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

	2011 £000	2010 £000
Existing customers with no defaults in the past	1,396	1,077

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.

	2011 £000	2010 £000
The carrying amount of debtors are denominated in Pounds Sterling	39,017	35,205

All non-current receivables are due within 2 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 £7.546 million (£7.219 million 2009/10).

14. AVAILABLE FOR SALE FINANCIAL ASSETS

	2011 £000	2010 £000
Government securities	0	0
Other	1	1
TOTAL	1	1
At 1 April 2010		
Additions	1	1
Disposals	0	0
Impairment recognised in Operating Cost Statement	0	0
Revaluation surplus/(deficit)transferred to equity	0	0
At 31 March	1	1
Current	0	0
Non-current	1	1
At 31 March	1	1

Available for sale financial assets comprise the investment in TMRI Ltd and Hub North Scotland Ltd both unlisted investments denominated in UK pounds.

The carrying value of the investment is cost less impairment as there is no active market for the equity investment in either Company

15. CASH AND CASH EQUIVALENTS

	At 01/04/10 £000	Cash Flow £000	At 31/03/11 £000
GBS account balance	3,236	(2,746)	490
Cash at bank and in hand	<u>68</u>	<u>(36)</u>	<u>32</u>
Total cash and cash equivalents-- balance sheet	3,304	(2,782)	522
Total cash – cash flow statement	<u>3,304</u>	<u>(2,782)</u>	<u>522</u>
	At 01/04/09 £000	Cash Flow £000	At 31/03/10 £000
OPG account balance	1,633	1,603	3,236
Cash at bank and in hand	<u>76</u>	<u>(8)</u>	<u>68</u>
Total cash and cash equivalents – balance sheet	1,709	1,595	3,304
Total cash – cash flow statement	<u>1,709</u>	<u>1,595</u>	<u>3,304</u>

The Government Banking Service (GBS) is the successor of the Office of the Paymaster General (OPG). Cash at bank is with major UK banks. The credit risk associated with cash at bank is considered to be low.

16. TRADE AND OTHER PAYABLES

	2011	2010
	£000	£000
Payables due within one year		
-Boards	<u>8,091</u>	<u>7,697</u>
Total NHS Scotland Payables	8,091	7,697
NHS Non-Scottish Bodies	386	402
General Fund Payable	522	3,304
FHS Practitioners	27,563	25,298
Trade Creditors	7,134	26,576
Accruals	18,513	20,088
Deferred income	875	1,560
Net obligations under Finance Leases	185	180
Income Tax & Social Security	9,997	10,287
Superannuation	7,068	5,868
Other Public Sector Bodies	1,655	1,542
EC Carbon Emissions Grant	0	0
Other Payables	3,532	3,409
Other Significant Payables: Agenda for Change	0	627
Total Payables due within one year	<u>85,521</u>	<u>106,838</u>
Payables due after more than one year		
	2011	2010
	£000	£000
NHS Scotland		
Other Public Sector Bodies	0	0
Net obligations under Finance Leases due within 5 years	1,008	1,027
Net obligations under Finance Leases due after 5 years	5,896	6,028
EC Carbon Emissions	0	0
Total Payables due after more than one year	<u>6,904</u>	<u>7,055</u>
Total Payables	<u>92,425</u>	<u>113,893</u>
<hr/>		
WGA Classification		
NHS Scotland	8,091	7,697
Central Government Bodies	17,180	16,200
Whole of Government Bodies	1,439	1,899
Balances with NHS Bodies in England and Wales	386	402
Balances with bodies external to Government	65,329	87,695
Total	<u>92,425</u>	<u>113,893</u>
	2011	2010
	£000	£000
Borrowings included above comprise Finance Leases :	7,089	7,235
The carrying amount and fair value of the non-current borrowings : Finance Leases	6,904	7,055
The carrying amount of payables are denominated in Pounds Sterling	92,425	113,893
The carrying amount of short term payables approximates their fair value		

17. PROVISIONS

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
As at 1 April 2010	5,898	6,943	399	13,240
Arising during the year	264	1,919	380	2,563
Utilised during the year	(1,317)	(906)	0	(2,223)
Unwinding of discount	(358)	0	0	(358)
Reversed Unutilised	(478)	(808)	0	(1,286)
As at 31 March 2011	4,009	7,148	779	11,936

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

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
Current	421	1,430	779	2,630
Non-Current	3,588	5,718	0	9,306
At 31 March 2011	4,009	7,148	779	11,936

PRIOR YEAR

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
At 1 April 2009	5,219	4,596	215	10,030
Arising during the year	766	5,726	184	6,676
Utilised during the year	0	(774)	0	(774)
Reversed unutilised	(87)	(2,605)	0	(2,692)
At 31 March 2010	5,898	6,943	399	13,240

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
Current	1,416	1,389	399	3,204
Non-Current	4,482	5,554	0	10,036
At 31 March 2010	5,898	6,943	399	13,240
Current	328	920	0	1,248
Non-Current	4,891	3,676	215	8,782
At 31 March 2009	5,219	4,596	215	10,030

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% 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 the next 37 years.

Clinical and Medical

The Board provides for legal or constructive obligations that are of uncertain timing or amount on the basis of the best estimate of the expenditure required to settle the obligation. The provision is calculated based on an estimate from the Central Legal Office of claims outstanding at 31 March 2011. 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.

EC Carbon Emissions

NHS Grampian is required by statute to participate in the introductory phase of the European Carbon Emission Scheme which focuses solely on carbon emissions from the Foresterhill Site. The scheme allocates emission target allowances or units to NHS Grampian and these are recorded as an intangible asset. The provision of £0.779m represents the monetary cost of the independently audited emissions in the period ended 31 March 2011. At the end of the scheme the value of the allocated units will be offset against the cost of the emissions. Any gain or loss arising from the scheme will be dependent on the Boards actual performance against the emission target.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Note	Opening Balances £000	Closing Balances £000	Net Movement 2011 £000	Net Movement 2010 £000
INVENTORIES					
Balance Sheet	12	<u>3,673</u>	<u>3,566</u>		504
Net Decrease/(Increase)				<u>107</u>	<u>504</u>
TRADE AND OTHER RECEIVABLES					
Due within one year	13	28,518	31,471		2,514
Due after more than one year	13	<u>6,687</u>	<u>7,546</u>		(2,121)
		35,205	39,017		
Less Property Land & Equipment (Capital) included in above					
		<u>35,205</u>	<u>39,017</u>		
Net Decrease/(Increase)				<u>(3,812)</u>	<u>393</u>
TRADE AND OTHER PAYABLES					
Due within one year	16	106,838	85,521		(770)
Due after more than one year	16	7,055	6,904		1,833
Less: Property, Plant & Equipment (Capital) included in above		(2,800)	(1,775)		(1,526)
Less: General Fund Creditor included in above	16	(3,304)	(522)		(1,595)
Less: Lease and PFI Creditors included in above	16	(7,235)	(7,089)		(1,949)
Net (Decrease)/Increase		<u>100,554</u>	<u>83,039</u>	<u>(17,515)</u>	<u>(4,007)</u>
PROVISIONS AND RESERVES					
Balance Sheet	17	13,240	11,936	<u>(1,304)</u>	3,210
Net (Decrease)/Increase					<u>3,210</u>
NET MOVEMENT (Decrease)/Increase				<u>(22,524)</u>	<u>100</u>

19. CONTINGENT LIABILITIES

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

Nature	2011 £000	2010 £000
Clinical and medical compensation payments	984	801
Employer's liability	54	78
TOTAL CONTINGENT LIABILITIES	1,038	879
CONTINGENT ASSETS	650	525
Clinical and medical compensation payments		

Clinical, Medical and employers liability compensation claims

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

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

Equal Pay Claims

NHS Grampian has 135 claims outstanding under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

- The claimant's job has been rated as being of equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.
- Their comparator is currently paid or has been paid more than them.
- They claim equal pay, back pay and interest (back pay is claimed for the statutory maximum of five years).

Claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland Central Legal Office and Equal Pay Unit are continuing to monitor the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. They continue to advise that it is not possible to provide any financial quantification at this stage because of the lack of information available. On the basis of their view the appropriate accounting treatment is to disclose the claims as a contingent liability that is not possible to quantify.

20. CONTRACTUAL COMMITMENTS

NHS Grampian has the following Capital Commitments which have not been provided for in the accounts

Capital Commitments	2011 £000	2010 £000
Contracted		
Woodend South Block	373	5,840
Emergency Care Centre	62,465	99,429
Energy Centre, Foresterhill, Aberdeen	1,710	7,005
Chalmers Hospital, Banff	2,593	8,399
Integrated Drug Service	0	2,041
Whinhill Health Centre	0	2,132
Others	0	1,681
Total	67,141	126,527
Authorised but not contracted		
Woodside	328	0
Radiotherapy Equipment programme	6,142	0
Forres Hospital & Health Centre *	0	7,000
Aberdeen Health Village *	5,853	7,878
MRI Upgrade Aberdeen Royal Infirmary	0	4,440
Total	12,323	19,318

* The Forres and Aberdeen Health Village projects are now to be progressed as service concession arrangements using the Scottish Government's HUB initiative. Outline Business Case approval was granted in March 2011 and Full Business Case approval for both schemes will be requested during 2011. The capital commitment shown against the Health Village relates to the planned purchase of land and replacement of parking facilities to be funded through the NHS Grampian capital programme in 2011/12.

Financial Guarantees, indemnities and Letter of Comfort

In addition to the above capital commitments, NHS Grampian has recently reached agreement with HUB North of Scotland Ltd to progress the development of the Aberdeen Health Village through to completion. The territory partnering agreement commits NHS Grampian to meet the development costs incurred by HUB North of Scotland Ltd, which would otherwise be recoverable through the unitary charge for the service contract, up to an agreed cap of £0.395m should final approval to proceed with the scheme not ultimately be granted by either the Grampian NHS Board or the Scottish Government Health Directorate.

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.

21. COMMITMENTS UNDER LEASES

	2011 £000	2010 £000
Operating Leases		
Total future minimum lease payments under operating leases are given in the table below for each of the following period 5		
Obligations under operating leases comprise:		
Land		
Not later than one year	216	209
Later than one year, not later than five years	866	847
Later than five years	2,815	3,340
Buildings		
Not later than one year	365	322
Later than one year, not later than five years	1,489	1,054
Later than five years	2,440	1,757
Other		
Not later than one year	689	597
Later than one year, not later than five years	885	909
Later than five years	0	0
Amounts charged to Operating Costs in the year were:		
Hire of Equipment (including vehicles)	1,797	1,786
Other operating leases	790	937
Total	<u>2,587</u>	<u>2,723</u>
Finance Leases		
Total future minimum lease payments under finance leases are given in the table below for each of the following periods		
Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	896	828
Rentals due between two and five years (inclusive)	3,647	3,350
Rentals due after five years	12,432	12,537
	<u>16,975</u>	<u>16,715</u>
Less interest element	(9,886)	(9,480)
	<u>7,089</u>	<u>7,235</u>
This total net obligation under finance leases is analysed in Note 16 (Creditors)		
Aggregate Rentals Receivables in the year		
Total of finance & operating leases	<u>0</u>	<u>0</u>

22. PENSION COSTS

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 a 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.

For 2010/11, normal employer contributions of £45.723 million were payable to the SPPA (2009/10 £46.201 million) at the rate of 13.5% (09/10 13.5%) of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £1.079 million (prior year £0.460 million) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be met by future contributions from employing authorities.

Provisions amounting to £4.009 million are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid direct.

Changes to the scheme were implemented from 1 April 2008. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefit of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on $1/80^{\text{th}}$ 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% and 8.5% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Child allowances are payable according to the number of dependent children and whether there is a surviving parent who will receive a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than two years service. Where service exceeds five years, the pension is calculated using specially enhanced service, with a maximum enhancement of ten years.

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. For members joining the scheme from April 2009 the earliest age at which voluntary early retirement, with a reduced pension, may be taken is 55 years.

New 2008 arrangements:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of $1/60^{\text{th}}$ 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% to 8.5% of pensionable earnings. Pensions and allowances are index linked to protect their value.

Members aged 55 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on full pension and lump sum which they have earned.

	2010-11	2009-10
	£000	£000
Pension cost charge for the year	45,723	46,201
Additional Costs arising from early retirement	1,079	460
Provisions/Liabilities/Pre-payments included in the Balance Sheet	4,009	5,898

**NHS Grampian
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

23. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Prior year adjustments which have been recognised in these Accounts are:

Cost of Capital

	£000
General Fund	11,416
Operating Costs SOCNE	(11,416)

24. RESTATED SOCNE

	Previous Accounts £000	Adjustment 1 £000	These Accounts £000
Clinical Services Costs			
Hospital and Community	694,478	(11,416)	683,062
Less: Hospital and Community income	<u>17,602</u>	<u>0</u>	<u>17,602</u>
	676,876	(11,416)	665,460
Family Health Services	218,434	0	218,434
Less: Family Health Services income	<u>8,487</u>	<u>0</u>	<u>8,487</u>
	209,947	0	209,947
Total Clinical Services Costs	886,823	(11,416)	875,407
Administration Costs	4,665	0	4,665
Less: Administration income	<u>0</u>	<u>0</u>	<u>0</u>
	4,665	0	4,665
Other Non Clinical Services	22,508	0	22,508
Less: Other Operating Income	<u>75,977</u>	<u>0</u>	<u>75,977</u>
	(53,469)	0	(53,469)
Net Operating Costs	<u>838,019</u>	<u>(11,416)</u>	<u>826,603</u>

**NHS Grampian
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

25. RESTATED CASH FLOW STATEMENT

	Previous Accounts £000	Adjustment 1 £000	These Accounts £000
Cash Flows from operating activities			
Net Operating cost	(838,019)	11,416	(826,603)
Adjustments for non-cash transactions	41,286	(11,416)	29,870
Add back: interest payable recognised in net operating cost	565	0	565
Deduct: interest receivable recognised in net operating cost	0	0	0
(Increase)/decrease in trade and other receivables	393	0	393
(Increase)/decrease in inventories	504	0	504
Increase/(decrease) in trade and other payables	(4,007)	0	(4,007)
Increase/(decrease) in provisions	3,210	0	3,210
Net cash outflow from operating activities	(796,068)	0	(796,068)
Cash flows from investing activities			
Purchase of property, plant and equipment	(52,247)	0	(52,247)
Purchase of intangible assets	(664)	0	(664)
Proceeds of disposal of property, plant and equipment	420	0	420
Proceeds of disposal of intangible assets	0	0	0
Interest received	0	0	0
Net cash outflow from investing activities	(52,491)	0	(52,491)
Cash flows from financing activities			
Funding	847,175	0	847,175
Movement in general fund working capital	1,595	0	1,595
Cash drawn down		0	0
Balance sheet PFI contracts	1,949	0	1,949
Interest Paid	(565)	0	(565)
Contracts	0	0	0
Net Financing	850,154	0	850,154
Net increase/(decrease) in cash and cash equivalents in period	1,595	0	1,595
Cash and cash equivalents at the beginning of the period	1,709	0	1,709
Cash and cash equivalents at the end of the period	3,304	0	3,304
Reconciliation of net cash flow to movement in net debt/cash			
Increase/(decrease) in cash in year	1,595	0	1,595
Net debt/cash at 1 April	1,709	0	1,709
Net debt/cash at 31 March	3,304	0	3,304

26. FINANCIAL INSTRUMENTS

a) FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets	Loans and Receivables £000	Assets at Fair Value through profit and loss £000	Available for Sale £000	Total £000
AT 31 MARCH 2011				
Assets per balance sheet				
Investments			1	1
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	20,547			20,547
Cash and cash equivalents	522			522
	<u>21,069</u>	<u>0</u>	<u>1</u>	<u>21,070</u>
At 31 March 2010				
Investments			1	1
Derivative financial instruments		0		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	19,219			19,219
Cash and cash equivalents	3,304			3,304
	<u>22,523</u>	<u>0</u>	<u>1</u>	<u>22,524</u>
Financial Liabilities				
At 31 March 2011				
		Liabilities at Fair Value through profit and loss £000	Other financial liabilities £000	Total £000
Liabilities per balance sheet				
Finance lease liabilities			7,089	7,089
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation			59,305	59,305
		<u>0</u>	<u>66,394</u>	<u>66,394</u>
At 31 March 2010				
		Liabilities at Fair Value through profit and loss £000	Other financial liabilities £000	Total £000
Liabilities per balance sheet				
Finance lease liabilities			7,235	7,235
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation			81,246	81,246
		<u>0</u>	<u>88,481</u>	<u>88,481</u>

26. 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 fall 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 by business entities.

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

a) Credit Risk

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

For banks and other institutions, only independently rated parties with 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.

b) Liquidity Risk

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

	Less than 1 Year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2011				
Finance lease liabilities	896	0	3,647	12,432
Trade and other payables excluding statutory liabilities	59,305	0	0	0
Total	60,201	0	3,647	12,432
At 31 March 2010				
Finance lease liabilities	828	0	3,350	12,537
Trade and other payables excluding statutory liabilities	81,246	0	0	0
Total	82,074	0	3,350	12,537

c) 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.

d) FAIR VALUE ESTIMATION

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

27. RELATED PARTY TRANSACTIONS

During the year NHS Grampian made payments of £0.658 million to the Alford Medical Group, in which Dr John Reid, a non-executive member (appointed 1 September 2008), is a partner. These payments were in respect of services provided by the Alford Medical Group to NHS Grampian, as part of their General Medical Services contract. A balance of £0.038 million was owed by NHS Grampian to the Alford Medical Group at 31 March 2011.

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund which is a Scottish Registered Charity. The total NHS Grampian Endowment Fund balance at 31 March 2011 was £33.369 million. During the year payments totalling £2.21 million were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.37 million from NHS Grampian mainly relating to income from research activities.

Segmental information as required under IFRS has been reported for each strategic objective

	Aberdeen City CHP	Abdnshire CHP	Moray CHP	Acute Sector	Corporate & Others	Mental Health and Learning disabilities £000	2011 £000
Net operating cost	85,232	57,513	48,155	263,008	325,347	54,310	833,565

PRIOR YEAR

Segmental information as required under IFRS has been reported for each strategic objective

	Aberdeen City CHP	Abdnshire CHP	Moray CHP	Acute Sector	Corporate & Others	Mental Health and Learning disabilities £000	2010 £000
Net operating cost	84,996	55,174	47,032	255,151	331,332	52,918	826,603

29. THIRD PARTY ASSETS

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

	2010 £000	Gross Inflows £000	Gross Outflows £000	2011 £000
Monetary amounts including bank balances	529	306	(333)	502

30. EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Less than £10,000	0	4	4
£10,000 - £25,000	0	7	7
£25,000 - £50,000	0	5	5
£50,000 - £100,000	0	6	6
£100,000 - £150,000	0	6	6
£150,000 - £200,000	0	0	0
More than £200,000	0	3	3
Total number exit packages by type	0	31	31
Total resource cost (£000)	0	2,305	2,305

EXIT PACKAGES -- PRIOR YEAR

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Less than £10,000	0	6	6
£10,000 - £25,000	1	29	30
£25,000 - £50,000	1	17	18
£50,000 - £100,000	0	7	7
£100,000 - £150,000	1	2	3
£150,000 - £200,000	0	1	1
More than £200,000	0	1	1
Total number exit packages by type	3	63	66
Total resource cost (£000)	182	2,218	2,400



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