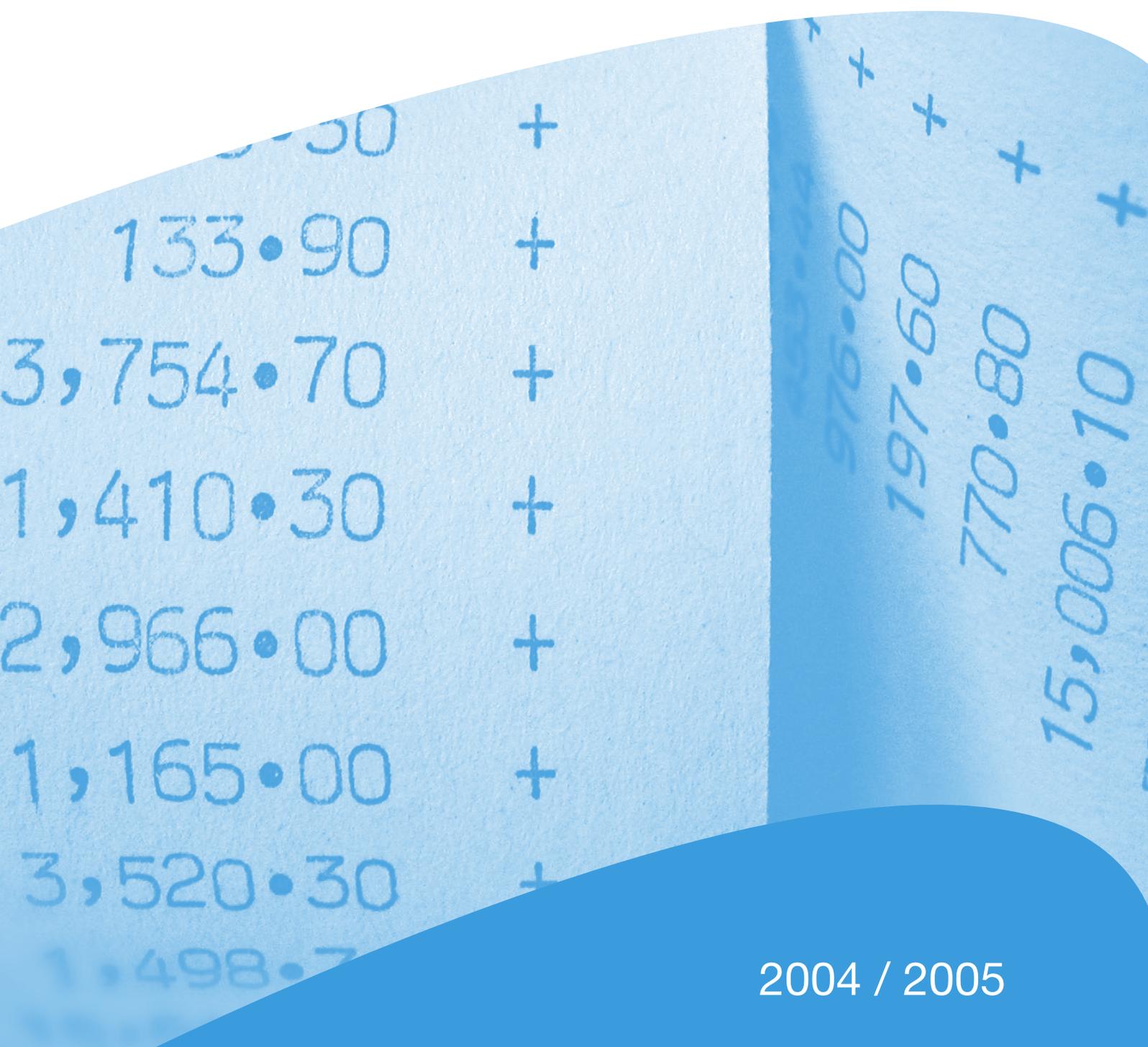


Annual Accounts



GRAMPIAN HEALTH BOARD
(commonly known as NHS Grampian)

ACCOUNTS 2004-2005

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Grampian Health Board

Directors' Report

Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the Resource Accounting Manual issued by HM Treasury.

Accounting Policies

The statement of the accounting policies, which have been adopted, is shown at Note 1.

From 1 April 2002, Grampian Health Board has complied with the Resource Accounting Manual (RAM) issued by HM Treasury with the Operating Cost Statement replacing an Income and Expenditure Account and the General Fund replacing capital and revenue reserves on the Balance Sheet.

Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust were dissolved on 31 March 2004. The assets and liabilities of these trusts were transferred to Grampian Health Board, commonly known as NHS Grampian, at that date. This transfer has been accounted for using merger accounting, as directed by the Resource Accounting Manual. The main effect of this is that the results and cashflows of the trusts for the prior year are brought into account as if the transfer had occurred at the start of that year.

Principal activities and review of the year

Grampian Health Board was established in 1974 and is responsible for the provision of health services to the residents of Grampian, which has a population of 523,000.

In March 2003, the Scottish Executive Health Department published Partnership for Care, Scotland's Health White Paper. The dissolution of trusts, as detailed above, is in support of the development of integrated, decentralised health services within NHS Grampian, as detailed in the White Paper. By the removal of unnecessary organisational and legal barriers, NHS Grampian staff have been empowered to plan and deliver improved health services within a framework of clear strategic direction and rigorous performance management.

The role of NHS Grampian is to:

- improve and protect the health of the local people;
- improve health services for local people;
- 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 by way of the Local Health Plan;
- resource allocation;
- implementation of the Local Health Plan; and
- performance management.

Following the dissolution of Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust on 31 March 2004, an integrated health system was established in NHS Grampian with effect from 1 April 2004. Key achievements during the year include:

- Achievement of waiting times targets during the year, including major investment in providing increased capacity for Orthopaedics;
- Reduction in the number of delayed discharges to below Scottish Executive Health Department revised target levels at 31 March 2005;
- Successful re-provision of the Primary Care Out of Hours service from the former arrangements to the new GMED service;
- Major investment to ensure compliance with decontamination regulations and to address the issues of infection control in hospitals within NHS Grampian;
- Development of services within areas such as Cardiac Surgery, Cardiology and Renal Dialysis to improve access levels and waiting times for patients;
- Improved working with local authority partners to plan the seamless provision of services across traditional health / local authority boundaries, including preparation for the creation of Community Health Partnerships on 1 April 2005;
- Implementation of the new pay contracts for General Practitioners, Consultant medical staff and other NHS staff. These new contracts will provide benefits of better recruitment and retention of NHS staff and will provide opportunities for more efficient working practices within NHS Grampian;
- Improved planning of services with our partner Health Boards in the North of Scotland resulting in the establishment of clinical networks and improved service provision across the region; and
- Specific improvements and investments in areas such as Dermatology, Plastic Surgery, ENT, and Diabetes to increase the level and range of services available to patients.

The Grampian Local Health Council was dissolved on 31 March 2005 as required by the NHS Reform (Scotland) Act 2004. A new Scottish Health Council has been established as part of NHS Quality Improvement Scotland, and local advisory councils will also be established in each NHS Board area, with local support staff.

Family Health Services

In 2004/05, NHSScotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income lost 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 lost from prescription, dental and ophthalmic charges in the year to 31 December 2004 could possibly amount to £1.147million (2003: £1.113million).

Infrastructure and Equipment

NHS Grampian invested £19.3million during the year on infrastructure and equipment. The major areas of spend included £6.5million on medical equipment, £2.1million on Information Technology, £1.1million on a modular theatre at Woodend Hospital, and £6million on infrastructure projects.

Financial targets

The Scottish Executive continues to set 3 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.

Performance against financial targets

	Limit as set by SEHD £000	Actual Out-turn £000	Variance (Over)/Under £000
Revenue Resource limit	609,577	620,351	(10,774)
Capital Resource Limit	10,487	10,054	433
Cash Requirement	599,230	599,006	224

The excess of £10.7million against the Revenue Resource Limit relates to a deficit of £4.8million brought forward from the previous financial year and a deficit in 2004/05 of £5.9million. NHS Grampian has ensured that the Scottish Executive Health Department (SEHD) has been fully advised of its projected deficit position throughout the financial year. A Financial Recovery Plan is in place to achieve repayment of all outstanding debt by the end of the 2006/07 financial year, which has been noted by the SEHD. This position reflects the intensity of major cost pressures, in particular, the implementation of national pay and conditions improvements. The Financial Recovery Plan is designed to return NHS Grampian to sustainable financial balance.

Payment policy

NHS Grampian makes every effort to comply with the principles of the CBI prompt payment code by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. In 2004/05, the average credit taken was 33 days (2003/04: 35 days). 71% of invoices by value and 66% of invoices by volume were paid within 30 days.

Board Membership

Grampian NHS Board is a board of governance whose membership reflects the role and function of NHS Grampian, as set out earlier in this report.

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.

The 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 health care.

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

Non-executive members

Mr James Royan, Chairman
Mrs Anne Campbell (Deputy Chair)
Councillor Edward Aldridge (resigned 6 June 2004)
Councillor Raymond Bisset
Mrs Barbara Bruce (appointed 1 April 2004)
Ms Margaret Burns
Dr David Cameron (appointed 1 January 2005)
Councillor Katharine Dean
Mr Angus Gordon
Professor Neva Haites
Professor Stephen Logan (resigned 30 September 2004)
Professor Valerie Maehle (appointed 1 April 2004)
Mrs Elizabeth McDade (appointed 1 April 2004)
Councillor George McIntyre (appointed 1 September 2004)
Mr Anthony Ward (appointed 1 April 2004)
Dr Stuart Watson
Professor Jamie Weir (resigned 31 March 2005)

Executive members

Mr Alexander Smith	Interim Chief Executive
Dr Eric Baijal	Director of Public Health (resigned 8 May 2005)
Mr David Benton	Nurse Director
Mr Richard Carey	Chief Operating Officer (appointed 1 October 2004)
Mr Alexander Cumming	Interim Chief Operating Officer (retired 30 September 2004)
Dr Roelf Dijkhuizen	Medical Director (appointed 1 April 2004)
Mr Alan Gall	Director of Finance (appointed 1 April 2004)

The board members' responsibilities in relation to the accounts are set out in a statement on page 8.

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 decisions and is supported by the work of committees reporting to the Board.

The main functions of the Committees, which under SEHD guidance, must exist at unified NHS Board level, together with membership as at 31 March 2005, were as follows:

Clinical Governance Committee

The main duties of the Clinical Governance Committee are as follows:

- Systems assurance – to ensure that clinical governance mechanisms are in place and effective throughout the local NHS System; and
- Public health governance – to ensure that the principles and standards of public health governance are applied to the activities of the local NHS system.

Membership: Councillor Raymond Bisset (Chair), Mrs Barbara Bruce, Dr David Cameron, Councillor Katharine Dean, Professor Neva Haites, Professor Jamie Weir.

Audit Committee

The Audit Committee meets approximately four times a 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: Mr Anthony Ward (Chair), Dr David Cameron, Mr Angus Gordon, Professor Valerie Maehle, Councillor George McIntyre.

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.

Membership: Professor Valerie Maehle (Chair), Ms Margaret Burns, Mrs Anne Campbell, Councillor Katharine Dean, Mr Angus Gordon, Mr James Royan.

Ethics Committees

Research Ethics Committee

The Grampian Research Ethics Committee operates as two committees reflecting the extent and detail of the workload and is convened to provide independent advice to participants, researchers, funders, sponsors, employers, care organisations and professionals 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. It shares this role and responsibility with others, as described in statutory guidance.

Each of the two committees is comprised of four lay members, two General Practitioners, a Nurse and five other Clinicians. Dr Melvin Morrison, a General Practitioner, chaired Committee One during 2004/05. Professor Nigel Webster, Professor of Anaesthesia and Intensive Care for Aberdeen University, chaired Committee Two.

Clinical Ethics Committee

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.

The Chair of the Committee is Mr Sam McClinton, Consultant Urological Surgeon, and 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.

Other Committees

The following committees also report to the Grampian NHS Board:

Committee	Chairperson
eHealth Committee	Mr Anthony Ward
Endowment Committee	Mrs Barbara Bruce
Patient Focus and Public Involvement Committee	Ms Margaret Burns
Performance Governance Committee	Mrs Anne Campbell
Service Strategy and Redesign Committee	Professor Neva Haites

Board members' Interests

The register of interests of Board members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public by contacting the Board Secretary. The non executive members declared that they were free from any business or other relationship, which could influence the exercise of their judgement.

Human Resources

The single system HR Directorate undertakes key responsibilities for Workforce Development, Pay Modernisation, Organisational Change, Learning and Development, Staff Governance (including Occupational Health & Safety) and Employment (including Recruitment and Payroll Services).

Following successful implementation of the new Primary Medical Services (PMS) and Consultants Contracts in 2004, NHS Grampian is in the process of implementing Agenda for Change, a new national pay and terms and conditions policy for all staff apart from Medical and Dental.

The Board strives to be an exemplar employer as evidenced in a positive Staff Governance Self-Assessment Audit and Action Plan and the implementation of new Pay Contracts. Highlights include the introduction of staff support policies for violence and aggression, dignity at work and stress in the workplace, as well as a new Employee Relations Framework. This agenda is managed through the Grampian Area Partnership Forum, which is comprised of staff side and management representatives.

The Board provides employees with information, on matters of concern to them as employees, by communication strategies, including Team Brief, and consults employees or their representatives so their views are taken into account in decisions affecting their interests using partnership in practice protocols.

Recruitment practices have been further developed and, as an equal opportunities employer, the Board welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board.

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 2004/05 and 2005/06, the Auditor General appointed Lynn Bradley, Director of Audit (Health) for Audit Scotland, to undertake the audit of Grampian Health Board, with David McConnell, Assistant Director of Audit (Health) acting as engagement lead. 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.

By Order of the Board

Mr Alexander Smith
Interim Chief Executive
Grampian Health Board

28 July 2005
Date

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2004/05

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 Executive 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 and for the economical, efficient and effective use of resources placed at the Board's disposal.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 17 December 2002.

.....

Mr Alexander Smith
Interim Chief Executive
Grampian Health Board

28 July 2005

Date

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2004/05

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 2005 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.

Make judgements and estimates that are reasonable and prudent.

State where applicable accounting standards 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 Executive Health Department. 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.

.....**Mr James Royan**
Chairman
Grampian Health Board

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

28 July 2005

Date

GRAMPIAN HEALTH BOARD

STATEMENT ON INTERNAL CONTROL

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 Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is also based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established throughout the financial year:

- 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 external independent members);
- single system governance and management arrangements with clear supporting lines of accountability and agreed scheme of delegation and standing orders;
- the Board receives periodic reports from the chairmen of the staff governance, clinical governance and audit committees, concerning any significant matters on governance and internal controls;
- the Performance Governance Committee, on behalf of the Board, has monitored the financial position throughout 2004/05 to ensure that NHS Grampian has operated within its financial plans, which had projected a deficit, as notified to the Scottish Executive Health Department (SEHD). The total accumulated deficit of £10.7million, which includes a brought forward deficit of £4.8million, will be repaid by the end of the 2006/07 financial year, as part of NHS Grampian's Financial Recovery Plan, incorporated in the Health Plan, and submitted to the SEHD. The Performance Governance Committee is responsible for monitoring NHS Grampian's progress in achieving its Financial Recovery Plan, and ensuring that corrective action is taken where required;
- the Performance Governance Committee provides assurance to the Board on the performance of the system and has lead role in the co-ordination and reporting of risk management performance and key risks to the Board;
- approval of a unified Risk Management Strategy and implementation of a robust prioritisation methodology based on risk ranking;
- regular reports from managers on the steps they are taking to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects; and
- regular reports by internal audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

During the financial year ended 31 March 2005, the following actions were commenced to further enhance the Board's system of internal control:

- development of a programme to provide risk awareness for all staff on an ongoing basis;
- commitment to further enhancing the performance management arrangements through the implementation of revised arrangements based on the balanced scorecard methodology;
- procurement of an IT web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents;
- an assessment of staff governance arrangements by the Board's external auditors. This assessment concluded that the Board's 2004/05 action plan of improvements showed progress being made in all areas and that the action plan for 2005/06 is robust; and

- commitment to further developing the business continuity and information security arrangements operating across NHS Grampian.

The above developments are consistent with the Board's Risk Management Strategy and will further integrate performance and risk management into the corporate planning and decision making processes of the organisation.

My review of the effectiveness of the system of internal control is also informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

Practitioner Services Division

From 1 April 1999, the Practitioner Services Division of National Services Scotland (NSS), formerly known as the Common Services Agency, assumed responsibility for calculating and making payments to Primary Care Contractors on behalf of the primary care sector.

The Service Auditor appointed by NSS prepared a report on the controls employed by NSS in providing this processing and payment service. This is the Board's source of assurance that the system provides reliable information. The Service Auditor identified a number of control issues, none of which were identified as business critical. Previous reports identified 71 high priority issues and all but five of these have now been addressed.

Patient Exemption Checking

The Board receives information on the checks carried out by the Counter Fraud Services (CFS) in relation to the possible level of Family Health Services income lost due to incorrect claims by patients for exemption from NHS charges. CFS report the results of these checks and this information is presented to the Audit Committee. The extrapolation of the sample results for Grampian indicates that the level of income lost in prescription, dental and ophthalmic charges for the year to 31 December 2004 could possibly amount to £1.147million. It should however be emphasised that we have been provided with no assurances as to the likely accuracy of this estimate.

.....

Mr Alexander Smith
Interim Chief Executive
Grampian Health Board

28 July 2005

Date

INDEPENDENT AUDITOR'S REPORT

To the members of Grampian Health Board, the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 13 to 29 and 32 to 47 under the National Health Service (Scotland) Act 1978. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on pages 17 to 21.

This report is made solely to the members of Grampian Health Board, the Auditor General for Scotland and the Scottish Parliament in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Board Members, Accountable Officer and Auditor

As described on pages 7 and 8 the Board and the Accountable Officer of Grampian Health Board are responsible for the preparation of the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income. The Health Board and the Accountable Officer are also responsible for the preparation of the Directors' Report. My responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

I reported my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder and whether, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. I also report if, in my opinion, the Health Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 complies with the guidance issued by the Scottish Executive Health Department 'Corporate Governance: Statement on Internal Control'. I report if, in my opinion, the statement does not comply with the guidance or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Health Board's corporate governance procedures or its risk and control procedures.

I read the Directors' Report published with the financial statements and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Health Board and the Accountable Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the Health Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Financial position

I draw attention to the Board's performance for the year ended 31 March 2005, against its financial target to remain within its Revenue Resource Limit (RRL) as set by the Scottish Executive Health Department. The financial statements record that the Board's net resource outturn exceeds its RRL by £10.774 million.

In forming my opinion, I have considered the adequacy of disclosures made in the Directors' Report in relation to the financial position but also note that the Board has agreed a budget which planned to exceed the RRL for 2005/06 by £8.123 million. The Board does not anticipate achieving recurring balance until 2006/07. The Accountable Officer has provided me with assurance that the Scottish Executive Health Department will ensure that the Board has access to cash throughout the period 2005 to 2007, sufficient to allow it to meet its liabilities as and when they fall due. Accordingly, my opinion is not qualified in this respect.

Opinions

Financial Statements

In my opinion the financial statements give a true and fair view of the state of affairs of Grampian Health Board as at 31 March 2005 and of its net operating cost, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder.

Regularity

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

28 July 2005

**Lynn Bradley
Director of Audit (Health)
Audit Scotland
7th Floor, Plaza Tower
EAST KILBRIDE**

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05 £000	2003-04 £000
Clinical Services Costs			
Hospital and Community	4	528,223	484,626
Less: Hospital and Community Income	9	(12,286)	(15,667)
		<u>515,937</u>	<u>468,959</u>
Family Health	5	178,097	156,799
Less: Family Health Income	9	(9,648)	(9,860)
		<u>168,449</u>	<u>146,939</u>
Total Clinical Services Costs		<u>684,386</u>	<u>615,898</u>
Administration Costs	6	<u>3,578</u>	<u>3,345</u>
Other Services	7	15,312	10,026
Less: Other Operating Income	9	(59,200)	(41,744)
		<u>(43,888)</u>	<u>(31,718)</u>
Local Health Council	8	189	178
Net Operating Costs		<u>644,265</u>	<u>587,703</u>

SUMMARY OF REVENUE RESOURCE OUTTURN

Net Operating Costs (per above)		644,265	587,703
Less: Capital Grants to Public Bodies	10	(173)	-
Less: FHS Non Discretionary Allocation		(23,552)	(53,414)
Less: Local Health Council Allocation/Expenditure	8	(189)	(178)
Net Resource Outturn		<u>620,351</u>	<u>534,111</u>
Revenue Resource Limit		609,577	529,307
(Excess) against Revenue Resource Limit		<u>(10,774)</u>	<u>(4,804)</u>

MEMORANDUM FOR IN YEAR OUTTURN

Brought forward deficit from previous financial year		4,804	-
(Excess) against in year Revenue Resource Limit		<u>(5,970)</u>	<u>(4,804)</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05 £000	2003-04 £000
Net gain on revaluation of tangible fixed assets	12	4,672	19,424
Movement in Donated Asset Reserve due to receipts	20	3,034	4,114
Total recognised gains for the year		7,706	23,538

BALANCE SHEET AS AT 31 MARCH 2005

	Note	As at 31/3/2005 £000	As at 31/3/2004 £000
FIXED ASSETS			
Intangible Fixed Assets	11	-	8
Tangible Fixed Assets	12	350,528	349,170
Total Fixed Assets		<u>350,528</u>	<u>349,178</u>
Debtors falling due after more than one year	14	783	534
CURRENT ASSETS			
Stocks	13	4,516	4,506
Debtors	14	24,648	22,593
Cash at bank and in hand	15	1,008	1,454
		<u>30,172</u>	<u>28,553</u>
CURRENT LIABILITIES:			
Creditors due within one year	16	<u>(69,841)</u>	<u>(68,726)</u>
NET CURRENT (LIABILITIES)		<u>(39,669)</u>	<u>(40,173)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		311,642	309,539
PROVISIONS FOR LIABILITIES AND CHARGES	17	(9,939)	(4,642)
		<u>301,703</u>	<u>304,897</u>
FINANCED BY:			
General Fund	19	231,246	241,208
Revaluation Reserve	20	56,291	52,928
Donated Asset Reserve	20	14,166	10,761
		<u>301,703</u>	<u>304,897</u>

Adopted by the Board on 28 July 2005

Mr Alexander Smith
Interim Chief Executive

Mr Alan Gall
Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05 £000	2004-05 £000	2003-04 £000	2003-04 £000
NET OPERATING CASHFLOW					
Net cash outflow from operating activities			(613,628)		(593,855)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(12,344)		(15,066)	
Receipts from sale of fixed assets		2,047		12,292	
Net cash (outflow) for capital expenditure			(10,297)		(2,774)
Net cash (outflow) before Financing			(623,925)		(596,629)
FINANCING					
Funding	19	623,925		596,629	
Movement in general fund working capital		(446)		(4,848)	
Cash drawn down		623,479		591,781	
Net cash inflow from financing			623,479		591,781
(Decrease) in cash in year			(446)		(4,848)
NOTES					
1. Reconciliation of operating cost to operating cash flow					
Net Operating Cost for the year			(644,265)		(587,703)
Expenditure not involving payment of cash	3		25,332		(4,433)
Net movement on working capital	18		5,305		(1,719)
Operating cash outflow			(613,628)		(593,855)
2. Reconciliation of net cash flow to movement in net debt/cash					
(Decrease) in cash in year	15		(446)		(4,848)
Net debt/cash at 1 April	15		1,454		6,302
Net debt/cash at 31 March			1,008		1,454

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Authority

These accounts have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury. The particular accounting policies adopted by NHS Grampian are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Merger of Former NHS Trust Activities and Assets

On 31 March 2004, Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust were dissolved. On that date the assets and liabilities of the former NHS Trusts transferred to Grampian Health Board together with the functions of the former Trusts. This has been accounted for using Merger Accounting, as described in FRS 6, as amended by section 8.8 of the RAM. The carrying values of assets and liabilities have not been adjusted to fair values and no goodwill has been recognised. The results and cash flows of the former Trusts have been brought into account from the start of the financial year and prior year comparative figures have also been restated to reflect the merger.

b) Going Concern

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

The Going Concern Concept has been applied to the provision of patient care services formerly carried out by Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust. Assets and liabilities of the Trusts were transferred to the Board on 31 March 2004 at the values recorded in the accounts of the Trusts for the year ended 31 March 2004.

Accounting Convention

The accounts are prepared on a historical cost basis modified to reflect changes in the value of fixed assets at their value to the business by reference to their current costs.

c) Funding

Most of the expenditure of the Health Board is met from funds advanced by the Scottish Executive Health Department within an approved revenue resource limit. If the Board underspends against the approved revenue resource limit, the balance may be carried forward to the following year, subject to restraints imposed by the Scottish Executive Health Department. Cash drawn down to fund expenditure within this approved revenue resource limit will be credited to the general fund.

Miscellaneous Income is income receivable by the Board and should not be included as funding.

For non-discretionary expenditure, a notional allocation is assumed, equal to actual expenditure.

Funding for the acquisition of fixed assets received from the Scottish Executive Health Department is credited to the general fund.

d) Fixed Assets

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

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

i) Capitalisation

All assets falling into the following categories are capitalised:

- Tangible 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;
- 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;
- Assets of lesser value may be capitalised where they form part of a networked computer system purchased at approximately the same time, and cost over £5,000 in total, or where they are part of the initial costs of equipping a new development and total over £5,000;
- Intangible assets that can be valued, are capable of being used in a Board's activities for more than one year, and have a replacement cost equal to or greater than £5,000.

ii) Valuation

Fixed assets are valued as follows:

Specialised NHS land, buildings, installations and fittings are stated at their depreciated replacement cost, other than surplus land and buildings which are stated at their open market value. Non specialised land and buildings, such as offices, are stated at the lower of their replacement cost or recoverable amount.

Valuations of all land and building assets within NHSScotland are reassessed by valuers appointed by the Scottish Ministers under a rolling 5-year programme of professional valuations and appropriate indices in intervening years.

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 Executive Health Department.

Equipment is valued at the lower of its net replacement cost or recoverable amount. The net replacement cost is the replacement cost of the asset as new depreciated in respect of its remaining useful life. The recoverable amount will only be used when the decision has been made to dispose of the asset.

Assets in the course of 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.

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

Specialised operational assets have been valued on a replacement rather than a modern substitute basis;

No adjustment has been made to the cost figures of operational assets in respect of dilapidations; and

Additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:

Losses in value reflected in valuations are accounted for in accordance with Financial Reporting Standard 11. The consumption of economic benefits is charged to the operating cost statement described as impairments. Decreases in asset value that relate to fluctuations in market prices are first charged to the element of the revaluation reserve relating to the asset and that amount is recognised in the Statement of Recognised Gains and Losses. Further losses, beyond the level of the revaluation reserve relating to that asset, are charged to the operating cost statement, except where it is anticipated that the reduction in value will reverse in the foreseeable future.

iii) Depreciation

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

- a) Freehold land and assets in the course of construction are not depreciated.
- b) Buildings, installations, and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the appointed valuer. The actual remaining lives of the building elements are assessed in the context of the maximum useful lives for building elements.
- c) Equipment is depreciated on current cost over the estimated life of the asset.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

	Useful Life
Buildings (Structure)	31-75
Buildings (Engineering)	15-35
Moveable engineering plant and equipment and long life medical equipment	10
Furniture and medium life medical equipment	5-10
Mainframe information technology installations	7
Vehicles and soft furnishings	7
Office, information technology, short life medical and other equipment	5

iv) Donated Assets

Fixed assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the full replacement cost of the asset. The value of donated assets is credited to the Donated Asset Reserve, and the accounting treatment, including the method of valuation, follows the rules in the Capital Accounting Manual. Where a donation covers only part of the total cost of the asset concerned, only that part element is included in the Donated Asset Reserve.

v) Sale of Fixed Assets

Disposal of fixed assets is accounted for as a reduction to the value of fixed 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 Operating Cost Statement.

vi) Leasing

Rentals under operating leases are charged on a straight-line basis.

vii) Intangible Assets

Intangible assets, such as software licences, are capitalised when they are capable of being used in a Board's activities for more than one year, they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight-line basis. The carrying value of intangible assets is reviewed for impairments at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter term of the licence and their useful economic lives.

e) Research and Development

Expenditure on Research and Development is written off to revenue as it is incurred.

f) Debtors and Creditors

Debtors and Creditors have been assessed on the basis of goods and services supplied or received up to and including 31 March 2005 for which payment had not been received or made by that date.

g) Stocks

Taking into account the high turnover of NHS stocks, the use of average purchase price is deemed to represent the lower of cost and net realisable value.

h) 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.

i) Pension Costs

The Board contributes to the NHS Superannuation Scheme for Scotland. Contributions to this Scheme and other schemes are determined on the basis of recommendations made by the Government Actuary. The pension cost charged to the Operating Cost Statement is based on an actuarial assessment of the cost to be borne by the NHS board.

j) Medical and Clinical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to an annual limit based on the revenue allocation. Costs above this limit are reimbursed to employing authorities from a central fund held by the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) on behalf of the Scottish Executive Health Department. Clinical negligence costs may also be reimbursed in part by the SEHD.

k) Related Party Transactions

FRS 8 requires disclosure of material related party transactions. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4. Transactions with health bodies, e.g. sharing administration costs, or with individuals are disclosed if material.

l) Liquid Resources

Investments which are not accessible within 24 hours without loss of interest but which do not mature in a period greater than one year are classified as current asset investments in the balance sheet. Net cash at bank, including deposits and overdrafts, is deducted in arriving at the figure disclosed in the cash flow statement. The amounts shown in the balance sheet are analysed between Cash at Bank and In Hand and Overdrafts, which are included in creditors. The amount shown in the cash flow statement includes deposits, cash and credit balances less overdrafts.

m) 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.

n) PFI Schemes

The NHS follows HM Treasury's Technical Note 1 (Revised) 'How to Account for PFI Transactions' which provides practical guidance for the application of the FRS 5 amendment.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense.

2. (a) STAFF NUMBERS AND COSTS 2004/05

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Other Staff £000	Total £000	2003-04 Total £000
STAFF COSTS						
Salaries and wages	699	129	296,863	-	297,691	276,103
Social security costs	68	10	23,806	-	23,884	20,219
NHS scheme employers' costs	87	-	33,745	-	33,832	13,620
Agency staff	-	-	-	1,482	1,482	2,325
	<u>854</u>	<u>139</u>	<u>354,414</u>	<u>1,482</u>	<u>356,889</u>	<u>312,267</u>
Compensation for loss of office*	70	-	-	-	70	-
TOTAL	<u><u>924</u></u>	<u><u>139</u></u>	<u><u>354,414</u></u>	<u><u>1,482</u></u>	<u><u>356,959</u></u>	<u><u>312,267</u></u>

* Compensation for loss of office relates to a former Executive Board Member of Grampian University Hospitals NHS Trust who left the organisation on 31 March 2003. The amount was accrued in 2003/04 and paid in 2004/05.

STAFF NUMBERS (AVERAGE NUMBER OF EMPLOYEES, BASED ON WHOLE TIME EQUIVALENTS)

	2004-05 No.	2003-04 No.
Administration**	39	39
Hospital and Community Services	7,936	7,773
Other Services***	3,148	3,100
Local Health Council	4	5
Other, including recharge Trading Accounts	38	17
Total Average Staff, based on Whole Time Equivalents	<u><u>11,165</u></u>	<u><u>10,934</u></u>

** This category includes staff employed in the functions detailed in Note 6 to the Accounts.

*** This category includes the following:

- Transfer of 29 staff from ISOFT to NHS Grampian in April 2004 when the contract for IT support services was brought in-house; and
- Transfer of 74 non-clinical staff from GDOCS and MDOCS, out of hours co-operatives, to NHS Grampian in November 2004 as a consequence of the revised arrangements for GP out of hours cover, which is now the responsibility of NHS Grampian following the implementation of the new PMS contract arrangements.

Had these transfers not taken place, the average number of employees for 2004/05 would have been 3,088, a reduction of 0.4% from the prior year.

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in Note 25 to the Accounts.

2. (b) BOARD MEMBERS REMUNERATION – CURRENT YEAR

Remuneration of:	Salary (Bands of £5,000)	Real increase in pension at age 60 (Bands of £5,000)	Total accrued pension at age 60 at 31 March 2005 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2004 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2005 £000	Real increase in CETV in year (bands of £5,000)	Superannuable Service at 31 March 2005 No. of Years	Benefits in kind £000
Executive Members								
Interim Chief Executive - Mr Alexander Smith	105-110	0-5	40-45	663	741	35-40	31	-
Chief Operating Officer - Mr Richard Carey (from 1/10/04)	50-55	0-5	25-30	326	405	50-55	23	1
Interim Chief Operating Officer - Mr Alexander Cumming (retired 30/9/04)	55-60	N/a	35-40	680	N/a	N/a	N/a	3
Director of Public Health - Dr Eric Baijal*	115-120	0-5	30-35	377	464	25-30	23	2
Director of Finance - Mr Alan Gall	80-85	0-5	10-15	132	178	30-35	10	3
Medical Director - Dr Roelf Dijkhuizen*	150-155	0-5	20-25	257	306	15-20	14	-
Nurse Director - Mr David Benton	85-90	0-5	0-5	34	54	10-15	3	-
Non Executive Members								
The Chairman - Mr James Royan	25-30	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Edward Aldridge (up to 6/6/04)	0-5	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Raymond Bisset	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mrs Barbara Bruce	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Ms Margaret Burns	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Dr David Cameron (from 1/1/05)	0-5	N/a	N/a	N/a	N/a	N/a	N/a	-
Mrs Anne Campbell (Deputy Chair)	15-20	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Katharine Dean	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mr Angus Gordon	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Neva Haites	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Stephen Logan (up to 30/9/04)	0-5	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Valerie Maehle	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mrs Elizabeth McDade	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-

	Salary (Bands of £5,000)	Real increase in pension at age 60 (Bands of £5,000)	Total accrued pension at age 60 at 31 March 2005 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2004	Cash Equivalent Transfer Value (CETV) at 31 March 2005	Real increase in CETV in year (bands of £5,000)	Superannuable Service at 31 March 2005 No. of Years	Benefits in kind £000
Non Executive Members (contd)								
Councillor George McIntyre (from 1/9/04)	0-5	N/a	N/a	N/a	N/a	N/a	N/a	-
Mr Anthony Ward	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Dr Stuart Watson	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Jamie Weir	**	N/a	N/a	N/a	N/a	N/a	N/a	-

Total

9

* Gross salary includes arrears of pay in relation to the new Consultants' contract
 ** Consent to disclosure withheld

2. (c) BOARD MEMBERS REMUNERATION – PRIOR YEAR

	Salary (Bands of £5,000)	Real increase in pension at age 60 (Bands of £5,000)	Total accrued pension at age 60 at 31 March 2004 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2003 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2004 £000	Real increase in CETV in year (bands of £5,000)	Superannuable Service at 31 March 2004 No. of Years	Benefits in kind £000
Remuneration of Executive Members:								
Interim Chief Executive - Mr Alexander Smith	95-100	5-10	35-40	525	663	95-100	30	-
Interim Chief Operating Officer - Mr Alexander Cumming	110-115	0-5	35-40	633	680	10-15	28	5
Director of Public Health - Dr Eric Baijal	95-100	0-5	25-30	342	377	5-10	22	1
Director of Finance - Mr Alan Gall	70-75	0-5	5-10	106	132	15-20	9	3
Medical Director - Dr Roelf Dijkhuizen	110-115	0-5	15-20	216	257	10-15	13	-
Nurse Director - Mr David Benton	80-85	0-5	0-5	19	34	5-10	2	-
Non Executive Members								
The Chairman								
- Mr James Royan	25-30	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Edward Aldridge	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Raymond Bisset	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mrs Barbara Bruce	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Ms Margaret Burns	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mrs Anne Campbell	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Councillor Katharine Dean (from 1 August 2003)	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mr Angus Gordon	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Neva Haites	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Stephen Logan	20-25	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Valerie Maehle	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Dr Stuart Watson (from 1 October 2003)	0-5	N/a	N/a	N/a	N/a	N/a	N/a	-
Professor Jamie Weir	*	N/a	N/a	N/a	N/a	N/a	N/a	-
Total								9

* Consent to disclosure withheld

2. (d) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2004-05 No.	2003-04 No.
Clinicians		
£50,000 to £60,000	125	141
£60,001 to £70,000	102	104
£70,001 to £80,000	63	114
£80,001 to £90,000	30	61
£90,001 to £100,000	24	34
£100,001 to £110,000	47	31
£110,001 to £120,000	47	9
£120,001 to £130,000	41	7
£130,001 to 140,000	33	7
£140,001 to 150,000	31	2
£150,001 and above	49	1
Other		
£50,000 to £60,000	39	38
£60,001 to £70,000	13	14
£70,001 to £80,000	6	4
£80,001 to £90,000	5	5

The remuneration of clinicians in 2004/05 reflects the impact of the new Consultants' contract, which for 2004/05 also includes arrears of pay for the period from 1 April 2003 to 31 March 2004.

3. OTHER OPERATING COSTS

	2004-05 £000	2003-04 £000
Expenditure Not Paid in Cash		
Depreciation	15,547	15,516
Cost of Capital	10,128	9,267
Impairments	-	652
(Profit) on disposal of purchased fixed assets	(345)	(3,496)
Prior Year Capital Charges paid in cash for NHS Trusts	-	(26,133)
Other non cash costs	2	(239)
Total Expenditure Not Paid in Cash	<u>25,332</u>	<u>(4,433)</u>
Travel, Subsistence and Hospitality	<u>4,681</u>	<u>7,099</u>
Operating Lease Rentals		
Hire of equipment (including vehicles)	1,471	1,577
Other operating leases	939	907
Total	<u>2,410</u>	<u>2,484</u>
Statutory Audit		
External auditor's remuneration and expenses	<u>300</u>	<u>268</u>
PFI/PPP and Similar Contracts		
Service charge relating to off-balance sheet PFI/PPP contracts	<u>1,777</u>	<u>1,731</u>

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

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

BY PROVIDER	2004-05	2003-04
	£000	£000
By Provider		
Treatment in Board area of NHSScotland Patients	478,732	441,826
Other NHSScotland Bodies	11,064	9,909
Health Bodies outside Scotland	686	787
Primary care bodies	101	291
Private sector	2,417	780
Community Care		
Resource Transfer	27,537	25,487
Donations to Voluntary Bodies	791	696
Other Health Care, including Charities	6,181	4,191
Total NHSScotland Patients	527,509	483,967
Treatment of UK residents based outside Scotland	714	659
Total Hospital & Community Health Service	528,223	484,626
BY SERVICE CATEGORY		
Acute Services	303,145	245,759
Maternity Services	26,745	20,483
Geriatric Assessment	14,281	15,120
Mental Health Services	63,795	73,599
Learning Disability	6,551	7,255
Geriatric Long Stay	16,152	15,884
Other Community Services	35,193	32,135
Other Services	37,323	48,783
Total Care Expenditure	503,185	459,018
Additional Costs of Teaching	18,024	18,521
Research & Development	6,300	6,428
UK Residents based outside Scotland	714	659
Total as Above	528,223	484,626

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget	Non	Total	Total
	£000	Discretionary	2004-05	2003-04
		£000	£000	£000
Primary Medical Services	70,088	-	70,088	52,268
Pharmaceutical Services	79,812	9,498	89,310	86,561
General Dental Services	262	15,353	15,615	15,212
General Ophthalmic Services	-	3,084	3,084	2,758
Total	150,162	27,935	178,097	156,799

6. ADMINISTRATION COSTS	2004-05	2003-04
	£000	£000
Board members' remuneration	874	1,283
Administration of Board Meetings and Committees	121	116
Corporate Governance and Statutory Reporting	661	476
Health Planning, Commissioning and Performance Reporting	1,084	628
Treasury Management and Financial Planning	397	360
Public Relations	441	482
Total administration costs	3,578	3,345

The Board members' remuneration for 2003-04 includes the remuneration of the board members of the former Grampian University Hospitals NHS Trust and Grampian Primary Care NHS Trust.

7. OTHER SERVICES	2004-05	2003-04
	£000	£000
Occupational Health	1,520	1,451
Closed hospital charges	135	106
Compensation payments – Clinical*	5,846	707
Compensation payments – Other	123	68
Pension enhancement & redundancy	1,032	858
Patients' Travel Attending Hospitals	245	199
Patients' Travel Highlands and Islands scheme	18	38
Clinical Audit	991	476
Health Promotion	2,325	2,377
Public Health	2,079	1,952
Public Health Medicine Trainees	183	169
Emergency Planning	15	10
Loss on disposal of fixed assets	358	28
Other	442	1,587
Total Other Services	15,312	10,026

* The increase in clinical compensation payments is due to provision required for two large clinical negligence claims, for which the Central Legal Office of the Scottish Executive Health Department estimates that NHS Grampian is likely to have to make settlement at a future date.

Independent Auditor's Report

To the members of Grampian Health Board

As independent auditor, I have audited the account of Grampian Health Council for the year ended 31 March 2005 as set out in note 8.

This report is made solely to the parties to whom it is addressed in accordance with The National Health Service (Local Health Councils) (Scotland) Regulations 1990 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Local Health Council and Auditor

The Local Health Council is normally responsible for the preparation of the account in terms of Regulations 14(3) of The National Health Service (Local Health Councils) (Scotland) Regulations 1990. The members of Grampian Health Board have confirmed that this responsibility has been discharged. It is my responsibility, based on my audit, to form an independent opinion on the account and to report that opinion.

Basis of audit opinion

I conducted my audit in accordance with the guidance issued by Audit Scotland, which principally related to enquiries concerning the circumstances of the Council, the presentation of the account and examination, on a test basis, of selected evidence relevant to the amounts shown in the account.

Opinion

In my opinion the accounts presents fairly the financial position of the Grampian Health Council as at 31 March 2005 and its income and expenditure for the year then ended.

Lynn Bradley
Director of Audit (Health)
Audit Scotland
7th Floor, Plaza Tower
EAST KILBRIDE

28 July 2005

8. LOCAL HEALTH COUNCIL

	2004-05	2004-05	2003-04	2003-04
	£000	£000	£000	£000
Salaries & Wages				
Administrative Staff	142		135	
Travel & Subsistence				
Council Members - Travel	9		10	
Staff - Travel	4		4	
Staff - Course Fees & Expenses	1		1	
	<u>1</u>		<u>1</u>	
		156		150
Accommodation Expenses				
Cleaning	1		1	
Furniture, Fittings & Equipment	15		2	
Heat, Light & Power	2		2	
Rent & Rates	9		8	
	<u>9</u>		<u>8</u>	
		27		13
Running Expenses				
Advertising & Publicity	1		1	
Post, Telephone & Carriage	4		2	
Printing & Stationery	4		11	
Subscriptions - National Association	12		12	
Other	(15)		(11)	
	<u>(15)</u>		<u>(11)</u>	
		6		15
Total Expenditure		<u>189</u>		<u>178</u>

I certify that the foregoing Account is correct and in accordance with the Books of Account.

Mr Alan Gall
Director of Finance

Date **28 July 2005**

The Account was submitted to the Grampian NHS Board meeting on 28 July 2005 and was duly approved.

Mr Alexander Smith
Interim Chief Executive

Date **28 July 2005**

9. OPERATING INCOME	2004-05	2003-04
	£000	£000
HCH Income		
NHSScotland Bodies		
-Boards	10,136	13,727
Non NHS		
Private Patients	1,170	1,175
RTA Income	980	668
Other HCH income	-	97
Total HCH Income	<u>12,286</u>	<u>15,667</u>
FHS Income		
Discretionary	5,268	4,295
Non Discretionary		
General Dental Services	4,380	5,565
Total FHS Income	<u>9,648</u>	<u>9,860</u>
Other Operating Income		
NHS Bodies	32,327	20,430
Contributions in respect of Clinical/Medical negligence claims*	4,534	-
Profit on disposal of fixed assets	703	3,524
Transfer from Donated Asset Reserve in respect of Depreciation	688	507
Interest Received	30	221
Other	20,918	17,062
Total Other Operating Income	<u>59,200</u>	<u>41,744</u>
Total Income	<u>81,134</u>	<u>67,271</u>
Of the above, the amount derived from NHS bodies is	<u>41,791</u>	<u>34,520</u>

* The increase in Contributions in respect of Clinical/Medical negligence claims is due to the two large clinical negligence claims, as detailed in note 7 to the accounts.

10. ANALYSIS OF CAPITAL EXPENDITURE	2005	2004
	£000	£000
EXPENDITURE		
Acquisition of Intangible Fixed Assets	-	8
Acquisition of Tangible Fixed Assets	11,583	9,946
Capital Grants to Public Bodies	173	-
Gross Capital Expenditure	<u>11,756</u>	<u>9,954</u>
INCOME		
Net book value of disposal of Tangible Fixed Assets	(1,702)	(8,687)
Capital Income	<u>(1,702)</u>	<u>(8,687)</u>
Net Capital Expenditure	<u>10,054</u>	<u>1,267</u>

SUMMARY OF CAPITAL RESOURCE OUTTURN

Net capital expenditure as above	10,054	1,267
Capital Resource Limit	10,487	1,267
Saving against Capital Resource Limit	<u>433</u>	<u>-</u>

NHS Grampian has made a request to the Scottish Executive Health Department for the saving of £433,000 to be carried forward for utilisation in 2005/06.

11. INTANGIBLE FIXED ASSETS

Intangible fixed assets held at the balance sheet date comprise the following elements :

	Software	Total
	£000	£000
Cost Valuation :		
As at 1 April 2004	<u>8</u>	<u>8</u>
At 31 March 2005	<u>8</u>	<u>8</u>
Amortisation		
At 1 April 2004	-	-
Provided during the year	8	8
At 31 March 2005	<u>8</u>	<u>8</u>
Net Book Value at 1 April 2004	<u>8</u>	<u>8</u>
Net Book Value at 31 March 2005	<u>-</u>	<u>-</u>

12. TANGIBLE FIXED ASSETS

12(a) Tangible fixed assets comprise the following elements purchased by the Board:

	Land & 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 2004	299,027	12,742	3,535	56,198	12,940	6,414	816	391,672
Additions	2,928	-	274	6,546	1,141	5	689	11,583
Transfers	234	12	-	-	-	-	(246)	-
Revaluation	1,939	1,123	(13)	22	-	129	73	3,273
Disposals	(1,240)	-	(192)	(480)	-	(126)	(346)	(2,384)
At 31 March 2005	302,888	13,877	3,604	62,286	14,081	6,422	986	404,144
Depreciation								
At 1 April 2004	-	-	2,429	34,642	10,802	5,391	-	53,264
Provided during the year	10,078	396	280	3,844	674	267	-	15,539
Revaluation	(458)	7	(9)	7	-	113	-	(340)
Disposals	-	-	(158)	(399)	-	(125)	-	(682)
At 31 March 2005	9,620	403	2,542	38,094	11,476	5,646	-	67,781
Net Book Value of Purchased Assets at 1 April 2004	299,027	12,742	1,106	21,556	2,138	1,023	816	338,408
Net Book Value of Purchased Assets at 31 March 2005	293,268	13,474	1,062	24,192	2,605	776	986	336,363
Open Market Value of Land and Dwellings Included Above	10,831	-						

12 (b) Tangible fixed assets comprise the following elements donated to the Board:

	Land & Buildings (excluding dwellings)	Transport Equipment	Plant and Machinery	Information Technology	Furniture And Fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2004	8,936	204	4,233	97	36	13,506
Additions	2,508	15	504	-	7	3,034
Revaluation	957	(1)	-	-	1	957
Disposals	-	(47)	(15)	-	-	(62)
At 31 March 2005	12,401	171	4,722	97	44	17,435
Depreciation						
At 1 April 2004	-	157	2,485	84	18	2,744
Provided during the year	327	11	342	6	3	689
Revaluation	(102)	-	-	-	-	(102)
Disposals	-	(47)	(14)	-	-	(61)
At 31 March 2005	225	121	2,813	90	21	3,270
Net Book Value of Donated Assets at 1 April 2004	8,936	47	1,748	13	18	10,762
Net Book Value of Donated Assets at 31 March 2005	12,176	50	1,909	7	23	14,165

12. (c) FIXED ASSET DISCLOSURES	2005	2004
	£000	£000
Net book value of tangible fixed assets at 31 March		
Purchased	336,363	338,408
Donated	14,165	10,762
Total	<u>350,528</u>	<u>349,170</u>
Net book value related to land valued at open market value at 31 March	<u>8,022</u>	<u>7,975</u>
Net book value related to buildings valued at open market value at 31 March	<u>2,809</u>	<u>2,750</u>

Land and buildings due to be valued in the year were valued by the Valuation Office Agency at 31 March on the basis of existing use or market value, where no longer in use. Other tangible fixed assets were revalued on the basis of indices at 31 March.

The net impact was an increase in value of £4.7million, which was credited to the revaluation reserve.

13. STOCKS

	2005	2004
	£000	£000
Raw Materials and Consumables	<u>4,516</u>	<u>4,506</u>

14. DEBTORS

	2005 £000	2005 £000	2004 £000	2004 £000
Debtors due within 1 year:				
NHS Scotland				
- SEHD	-		212	
- Boards	2,798		3,455	
Total NHSScotland Debtors	<u>2,798</u>	<u>2,798</u>	<u>3,667</u>	<u>3,667</u>
VAT recoverable		1,021		865
Prepayments and accrued income		4,770		5,168
Other debtors		10,704		11,812
Reimbursement of provisions		4,615		251
Other public sector bodies		740		830
Total Debtors due within one year		<u>24,648</u>		<u>22,593</u>
Debtors due after more than one year				
Prepayments and accrued income		783		534
Total balances due after more than one year		<u>783</u>		<u>534</u>
TOTAL DEBTORS		<u>25,431</u>		<u>23,127</u>

The above balances are net of a provision for bad debts of £157,000 (2004 : £163,000)

15. CASH AT BANK AND IN HAND

	At 01/04/04 £000	Cash Flow £000	At 31/03/05 £000
OPG account balance	1,389	(449)	940
Cash at bank and in hand	65	3	68
Total cash – balance sheet	<u>1,454</u>	<u>(446)</u>	<u>1,008</u>
Total cash – cash flow statement	<u>1,454</u>	<u>(446)</u>	<u>1,008</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2005 £000	2004 £000	2004 £000
NHSScotland				
-Boards	1,567		2,796	
Total NHSScotland Creditors	<u>1,567</u>	1,567	<u>2,796</u>	2,796
General Fund Creditor		1,008		1,454
FHS Practitioners		23,824		19,961
Trade Creditors		12,000		12,469
Accruals and Deferred Income		18,441		21,307
Income Tax & Social Security		7,645		6,743
Other Public Sector Bodies		588		683
Other creditors		4,768		3,313
Total Creditors due within one year		<u>69,841</u>		<u>68,726</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £000	Clinical & Medical £000	Total £000
As at 1 April 2004	1,005	1,546	2,551
Prior year adjustment	2,091	-	2,091
Restated balance as at 1 April 2004	<u>3,096</u>	<u>1,546</u>	<u>4,642</u>
Arising during the year	783	5,719	6,502
Utilised during the year	(193)	(908)	(1,101)
Reversed Unutilised	(104)	-	(104)
As at 31 March 2005	<u>3,582</u>	<u>6,357</u>	<u>9,939</u>

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as debtors in note 14.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Opening Balances £000	Closing Balances £000	Net Movement £000
STOCK			
Balance Sheet	4,506	4,516	
Net (Increase)			(10)
DEBTORS			
Due within one year	22,593	24,648	
Due after more than one year	534	783	
Net (Increase)	23,127	25,431	(2,304)
CREDITORS			
Due within one year	68,726	69,841	
Less : Capital included in above	(2,560)	(1,799)	
Less : General Fund Creditor included in above	(1,454)	(1,008)	
Net Increase	64,712	67,034	2,322
PROVISIONS			
Balance Sheet	4,642	9,939	
Net Increase			5,297
NET MOVEMENT Increase			5,305

19. GENERAL FUND

	2005 £000	2004 £000
General Fund at 1 April	241,208	243,202
Opening General Fund Creditor	1,454	6,302
Add: Cash Drawn Down	623,479	591,781
Less: Closing General Fund (Creditor)	(1,008)	(1,454)
Net Funding	623,925	596,629
Net Operating Cost for the Year	(644,265)	(587,703)
Cost of Capital	10,128	9,267
Transfer of Realised Element of Revaluation Reserve	250	5,036
Prior Year Capital Charges paid in cash for NHS Trusts	-	(26,133)
Prior Year Adjustments	-	910
Net (decrease) in General Fund	(9,962)	(1,994)
General Fund at 31 March	231,246	241,208

20. MOVEMENTS ON RESERVES	2005 £000	2004 £000
Revaluation Reserve		
Balance at 1 April	52,235	40,971
Prior year adjustment	693	(2,205)
Restated balance as at 1 April	<u>52,928</u>	<u>38,766</u>
Indexation/Revaluation of fixed assets	3,613	19,198
Transfer of realised element to general fund	(250)	(5,036)
Balance at 31 March	<u>56,291</u>	<u>52,928</u>
Donated Asset Reserve		
Balance at 1 April	10,868	7,036
Prior year adjustment	(107)	-
	<u>10,761</u>	<u>7,036</u>
Indexation/Revaluation of fixed assets	1,059	118
Additions of donated assets	3,034	4,114
Release to the Operating Cost Statement	(688)	(507)
Balance at 31 March	<u>14,166</u>	<u>10,761</u>

21. CONTINGENT LIABILITIES

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

Nature	Value £000
Clinical and medical compensation payments	718

A number of claims for clinical negligence against NHS Grampian, which have not been fully provided for, and which the Central Legal Office of the Scottish Executive Health Department estimates there is a medium risk of NHS Grampian having to make settlement.

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

22. COMMITMENTS	2005	2004
	£000	£000

Capital Commitments

NHS Grampian has the following Capital Commitments at 31 March 2005:

Contracted	<u>-</u>	<u>3,005</u>
Authorised but not Contracted	<u>9,327</u>	<u>-</u>

Included within capital commitments that have been authorised but not contracted for are:

- £7.1million in relation to a major upgrade to Chalmers Hospital in Banff
- £1.3million towards a joint project with Aberdeen City Council for the development of an Integrated Care Planning and Stabilisation Service on behalf of the Integrated Drug Service Management Team.

23. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating leases to pay rentals during 2005/06 are analysed, according to the period in which the leases expire, as follows :

	2005	2004
	£000	£000
Obligations under operating leases comprise :		
Land and Buildings		
After five years	<u>407</u>	<u>396</u>
Other		
Within one year	139	312
Between two and five years (inclusive)	987	854
After five years	-	43
	<u>1,126</u>	<u>1,209</u>

24. COMMITMENTS UNDER PFI CONTRACTS

NHS Grampian has entered into the following PFI contracts.

OFF BALANCE SHEET

Kincardine Community Hospital

In 1997, NHS Grampian contracted with CHS (Kincardine) Ltd for the provision of nursing home beds and facilities management at the Kincardine Community Hospital in Stonehaven. The service contract commenced in March 1998 and expires in March 2008 after a term of 10 years. NHS Grampian has no interest in the buildings on the site but retains ownership of the land.

Future Commitments

At 31 March 2005, NHS Grampian is committed to the following payments in 2005/06 in respect of the above contract, analysed by the period during which the commitment expires:

	31 March 2005 £000	31 March 2004 £000
Expiry within 2 to 5 years	1,777	1,731
	<u>1,777</u>	<u>1,731</u>

25. 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 Financial Reporting Standard 17.

For 2004-05, normal employer contributions of £33,832,000 were payable to the SPPA (prior year £13,620,000) at the rate of 14% of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £160,000 (prior year £835,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities. As a consequence of the valuation, employers' superannuation contributions increased from 5.5% to 14% on 1st April, 2004.

Provisions amounting to £3,582,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 6% (5% for manual staff) of pensionable earnings. Pensions are increased in line with Retail Prices 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 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get 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 2 years service. Where service exceeds 5 years, the pension is calculated using specially enhanced service, with a maximum enhancement of 10 years.

Members aged 50 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 the full pension and lump sum which they have earned.

26. PRIOR YEAR ADJUSTMENTS

Prior Year Adjustments

Changes that have been made to the prior year figures from the published accounts are :

Pension Provision

The prior year adjustment relates to the creation of a provision for liabilities relating to staff who were granted early retirement prior to 1995.

Principle Statement	Note Number	As stated in Prior Year Accounts £000	Adjustment £000	Re-stated in Current Year Accounts £000
Balance Sheet	14	23,036	(443)	22,593
	16	(68,887)	161	(68,726)
	17	(2,551)	(2,091)	(4,642)
	19	243,583	(2,375)	241,208

Fixed Assets

The prior year adjustment relates to the inclusion of the Horizons Rehabilitation Centre that was excluded from the revaluation exercise at 31 March 2004.

Principle Statement	Note Number	As stated in Prior Year Accounts £000	Adjustment £000	Re-stated in Current Year Accounts £000
Balance Sheet	12	348,606	564	349,170
	19	241,229	(21)	241,208
	20	63,104	585	63,689

Debtors due within 1 year

The prior year adjustment relates to amended guidance for the accounting treatment of interboard income.

Principle Statement	Note Number	As stated in Prior Year Accounts £000	Adjustment £000	Re-stated in Current Year Accounts £000
Balance Sheet	14	22,212	381	22,593
	19	240,827	381	241,208

27(a) RESTATED OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	GHB £000	GUHT £000	GPCT £000	ADJUSTMENT £000	01/04/04 £000
Clinical Services Costs					
Hospital and Community	437,098	205,310	94,056	(251,838)	484,626
Less: Hospital and Community Income	(5,300)	(2,437)	(30)	(7,900)	(15,667)
	<u>431,798</u>	<u>202,873</u>	<u>94,026</u>	<u>(259,738)</u>	<u>468,959</u>
Family Health	156,133	-	156,799	(156,133)	156,799
Less: Family Health Income	(5,565)	-	(9,860)	5,565	(9,860)
	<u>150,568</u>	<u>-</u>	<u>146,939</u>	<u>(150,568)</u>	<u>146,939</u>
Total Clinical Services Costs	582,366	202,873	240,965	(410,306)	615,898
Administration Costs	<u>669</u>	<u>1,338</u>	<u>1,338</u>	<u>-</u>	<u>3,345</u>
Other Services	5,701	84,776	73,403	(153,854)	10,026
Less: Other Operating Income	(1,885)	(11,467)	(24,868)	(3,524)	(41,744)
	<u>3,816</u>	<u>73,309</u>	<u>48,535</u>	<u>(157,378)</u>	<u>(31,718)</u>
Local Health Councils	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178</u>
Net Operating Costs	587,029	277,520	290,838	(567,684)	587,703
SUMMARY OF REVENUE RESOURCE OUTTURN	£000	£000	£000	£000	£000
Net Operating Costs (per above)	587,029	277,520	290,838	(567,684)	587,703
Less: FHS Non Discretionary Allocation	(53,413)	-	(53,414)	53,413	(53,414)
Less: Local Health Council Allocation/Expenditure	(178)	-	-	-	(178)
Net Resource Outturn	533,438	277,520	237,424	(514,271)	534,111
Revenue Resource Limit	528,634	277,520	237,424	(514,271)	529,307
(Excess) against Revenue Resource Limit	(4,804)	-	-	-	(4,804)
MEMORANDUM FOR IN YEAR OUTTURN					
Brought forward deficit (surplus) from previous financial year	-	-	-	-	-
(Excess) against in year Revenue Resource Limit	<u>(4,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,804)</u>

27(b) RESTATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2004

	GHB	GUHT	GPCT	Adjustment	01/04/04
	£000	£000	£000	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	(100)	14,468	4,364	692	19,424
Movement in Donated Asset Reserve due to receipts	-	3,881	233	-	4,114
Total recognised gains for the year	(100)	18,349	4,597	692	23,538

27(c) RESTATED BALANCE SHEET AT 1 APRIL 2004

	GHB	GUHT	GPCT	Adjustment	01/04/04
	£000	£000	£000	£000	£000
FIXED ASSETS					
Intangible fixed assets	-	8	-	-	8
Tangible fixed assets	3,410	230,647	114,549	564	349,170
	<u>3,410</u>	<u>230,655</u>	<u>114,549</u>	<u>564</u>	<u>349,178</u>
DEBTORS FALLING DUE AFTER MORE THAN ONE YEAR	443	534	-	(443)	534
CURRENT ASSETS					
Stocks	-	2,854	1,652	-	4,506
Debtors	13,698	9,483	8,584	(9,172)	22,593
Cash at bank and in hand	204	146	1,104	-	1,454
	<u>13,902</u>	<u>12,483</u>	<u>11,340</u>	<u>(9,172)</u>	<u>28,553</u>
CURRENT LIABILITIES					
Creditors due within one year	<u>(41,165)</u>	<u>(31,420)</u>	<u>(37,570)</u>	<u>(41,429)</u>	<u>(68,726)</u>
Net current (liabilities)	<u>(27,263)</u>	<u>(18,937)</u>	<u>(26,230)</u>	<u>32,257</u>	<u>(40,173)</u>
Total assets less current liabilities	(23,410)	212,252	88,319	32,378	309,539
PROVISIONS FOR LIABILITIES AND CHARGES	<u>(1,099)</u>	<u>(685)</u>	<u>(765)</u>	<u>(2,093)</u>	<u>(4,642)</u>
	<u><u>(24,509)</u></u>	<u><u>211,567</u></u>	<u><u>87,554</u></u>	<u><u>30,285</u></u>	<u><u>304,897</u></u>
FINANCED BY:					
General Fund	(25,111)	166,737	69,882	29,700	241,208
Revaluation Reserve	602	34,441	17,192	693	52,928
Donated Asset Reserve	-	10,389	480	(108)	10,761
	<u>(24,509)</u>	<u>211,567</u>	<u>87,554</u>	<u>30,285</u>	<u>304,897</u>

27(d) RESTATED CASHFLOW STATEMENT AT 1 APRIL 2004

	GHB	GUHT	GPCT	Adjustment	01/04/04
	£000	£000	£000	£000	£000
NET OPERATING CASHFLOW					
Net cash outflow from operating activities	(573,204)	(267,000)	(290,755)	537,104	(593,855)
CAPITAL EXPENDITURE					
Payment to acquire fixed assets	-	(12,656)	(2,410)	-	(15,066)
Receipts from sales of fixed assets	-	1,769	10,523	-	12,292
Net cash inflow/(outflow) for capital expenditure	-	(10,887)	8,113	-	(2,774)
Net cash (outflow) before Financing	(573,204)	(277,887)	(282,642)	537,104	(596,629)
FINANCING					
Funding	573,204	277,887	282,642	(537,104)	596,629
Movement in general fund working capital	(7)	(981)	(3,860)	-	(4,848)
Cash drawn down	573,197	276,906	278,782	(537,104)	591,781
Net cash inflow from financing	573,197	276,906	278,782	(537,104)	591,781
Increase/(decrease) in cash in year	(7)	(981)	(3,860)	-	(4,848)
NOTES					
1. Reconciliation of operating cost to operating cash flow					
Net Operating Cost for the year	(587,029)	(277,520)	(290,838)	567,684	(587,703)
Expenditure not involving payment of cash	(493)	(1,580)	(1,503)	(857)	(4,433)
Net movement no working capital	14,318	12,100	1,586	(29,723)	(1,719)
Operating cash outflow	(573,204)	(267,000)	(290,755)	537,104	(593,855)
2. Reconciliation of net cash flow to movement in net debt/cash					
Increase/(decrease) in cash in year	(7)	(981)	(3,860)	-	(4,848)
Net debt/cash at 1 April	211	1,127	4,964	-	6,302
Net debt/cash at 31 March	204	146	1,104	-	1,454



HEALTH BOARDS & COMMON SERVICES AGENCY

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in exercise of the powers conferred upon them by sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, and all powers enabling them in that behalf, hereby give the following direction.

2. The accounts for the financial year ended 31 March 2003 and subsequent financial years, which each Health Board and the Common Service Agency is required to prepare shall comprise:

- 2.1 a foreword*;
- 2.2 an operating cost statement;
- 2.3 a statement of total recognised gains and losses;
- 2.4 a balance sheet;
- 2.5 a cash flow statement;
- 2.6 a statement of accountable officer's responsibilities; and
- 2.7 a statement on the system of internal control.

including such notes as may be necessary for the purposes referred to in paragraphs 3, 4 and 5 below.

3. The accounts shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual ("RAM") which is in force for the year for which the accounts are prepared.

4. The accounts shall give a true and fair view of the operating costs, total recognised gains and losses, balance sheet and cash flows for the financial year and of the state of affairs as at the end of each financial year.

5. 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.

6. This direction shall be reproduced as an appendix to the accounts. This direction supersedes the one given on 19 December 2000.

Signed by the authority of the Scottish Ministers

Dated 30th December 2002

* The Directors report in the Accounts is taken to be this foreword.