

GRAMPIAN HEALTH BOARD
(commonly known as NHS Grampian)

ACCOUNTS 2005-2006

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Grampian Health Board Annual Report

The Annual Report of Grampian Health Board for 2005/06 contains the following three sections: Directors' Report; Operating and Financial Review; and Remuneration Report.

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 Financial Reporting Manual (FReM). The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 51 of these accounts.

Accounting Policies

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

From 1 April 2005, Grampian Health Board has complied with the FReM, with the Operating Cost Statement replacing an Income and Expenditure Account and the General Fund replacing capital and revenue reserves on the Balance Sheet, as previously directed in the Resource Accounting Manual (RAM).

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.

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.

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 (term ended 31 March 2006)
Councillor Raymond Bisset
Mrs Barbara Bruce
Ms Margaret Burns
Dr David Cameron
Councillor Katharine Dean
Mr Angus Gordon (term ended 30 September 2005)
Professor Neva Haites
Mrs Judith Hendry (appointed 1 April 2005)
Professor Valerie Maehle
Mrs Elizabeth McDade

Non-executive members (continued)

Councillor George McIntyre
Mr Gordon Stephen (appointed 1 October 2005)
Mr Anthony Ward
Dr Stuart Watson

Executive members

Mr Richard Carey	Chief Operating Officer (resigned 17 January 2006) Chief Executive (appointed 17 January 2006)
Mr Alexander Smith	Interim Chief Executive (retired 17 January 2006)
Dr Eric Baijal	Director of Public Health (resigned 8 May 2005)
Mr David Benton	Nurse Director (resigned 31 August 2005)
Dr Roelf Dijkhuizen	Medical Director
Mr Alan Gall	Director of Finance
Mrs Elinor Smith	Interim Nurse Director (appointed 1 September 2005)

The board members' responsibilities in relation to the accounts are set out in a statement on page 18.

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 on 01224 558600. 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 25 and the Remuneration Report.

Related Party Transactions

No Board Member, key manager or other related party, has undertaken any material transaction with NHS Grampian during the year.

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 2005/06, the average credit taken was 34 days (2004/05: 33 days). 71% of invoices by value and 65% of invoices by volume were paid within 30 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 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 2006, 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 clinical governance are applied to the health improvement activities of the NHS Board.

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

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, Professor Valerie Maehle, Councillor George McIntyre 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.

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

Ethics Committees

Research Ethics Committee

The Grampian Research Ethics Committee (REC) 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 lay members, General Practitioners, nurses, other clinicians, pharmacists and research scientists. Dr Melvin Morrison, a General Practitioner, chaired Committee One during 2005/06. Dr Sheila Simpson, Associate Specialist and Senior Lecturer in Clinical Genetics, 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 Urologist. 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:

eHealth Committee:

Chairperson: Mr Anthony Ward

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

Endowment Committee:

Chairperson: Mrs Barbara Bruce

The Endowment Committee oversees the management of the NHS Grampian Endowment Fund.

Patient Focus and Public Involvement Committee

Chairperson: Ms Margaret Burns

The Patient Focus and Public Involvement Committee ensures that the public are appropriately involved in the decision making process of NHS Grampian.

Performance Governance Committee

Chairperson: Mrs Anne Campbell

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

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 monitors the delivery of the organisational strategy.

Spiritual Care Committee

Chairperson: Mr James Royan

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

Human Resources

In a challenging year for the Human Resources Directorate, NHS Grampian has made significant progress in the following areas:

- As part of the Pay Modernisation Programme, NHS Grampian has developed a Benefits Delivery Plan for the implementation and promotion of service redesign. In addition, NHS Grampian is in the process of rolling out Agenda for Change, a new national pay and terms and conditions policy for all staff apart from Medical and Dental;
- Arising from Agenda for Change (AfC), NHS Grampian has implemented a new Performance Appraisal Scheme, which is directly linked to AfC through the Knowledge and Skills Framework;
- Development and implementation of a Workforce Plan, which looks in detail at the forces and drivers that impact on NHS Grampian's workforce demand and supply. The Plan highlights significant workforce demographic changes and anticipated changes in the way services will be provided in the future.

As part of its Staff Governance Action Plan, NHS Grampian provides employees with information on matters of concern to them as employees. This is achieved through communication strategies, including Team Brief and Upfront, and consultation with employees and their representatives to ensure 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, 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.

Annual Report

OPERATING AND FINANCIAL REVIEW

Principal Activities and Review of the Year

Grampian Health Board was established in 1974. On 31 March 2004, the assets and liabilities of Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust were transferred to Grampian Health Board, commonly known as NHS Grampian. NHS Grampian is responsible for the provision of health services to the residents of Grampian, which has a population of 524,000.

In March 2003, the Scottish Executive Health Department (SEHD) published *Partnership for Care*, Scotland's Health White Paper. The dissolution of trusts on 31 March 2004, as noted above, was in support of the development of integrated, decentralised health services within NHS Grampian, as detailed in the White Paper. NHS Grampian now forms a local health system, with a single governing board responsible for improving the health of the local population and delivering the healthcare it requires. The overall purpose of the unified board is to ensure 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 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.

2005/06 was once again a busy year for NHS Grampian, as it strived to build on its strengths and achievements, while taking on the challenges associated with building a modern and sustainable health service for the people of Grampian.

NHS Grampian continued to develop its Change and Innovation Programme to move the balance of care within Grampian to the most appropriate setting for patients. As part of this process, three Community Healthcare Partnerships were successfully established for Aberdeen City, Aberdeenshire and Moray to provide a focus for NHS Grampian to work in partnership with other agencies in the provision of integrated services to the local communities.

NHS Grampian successfully repaid its outstanding debt in 2005/06 and further information on its financial performance is included in the section on Financial Performance and Position on page 7. Performance against other key targets in 2005/06 was measured using key performance indicators set by the SEHD 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 Targets on page 7.

Family Health Services

In 2005, 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 2005 could possibly amount to £1 million (2004: £1.147million).

Infrastructure and Equipment

NHS Grampian invested £19.7million during the year on infrastructure and equipment. The major areas of spend included £7.6million on medical equipment, £1.3million on Information Technology and £10.8million on infrastructure projects. This expenditure was funded from NHS Grampian's capital and revenue resource allocations.

Financial Performance and Position

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. NHS Grampian's out-turn for the year against these limits was as follows:

	Limit as set by SEHD £000	Actual Out-turn £000	Variance (Over)/Under £000
Revenue Resource Limit	652,074	651,618	456
Capital Resource Limit	10,468	10,468	-
Cash Requirement	619,881	619,849	32

NHS Grampian began the 2005/06 financial year with a debt repayable to the SEHD amounting to £10.7million. Strategic financial plans agreed with the SEHD had made provision for repayment of the debt by the end of 2006/07 but through efficiencies and an accelerated asset disposal, repayment in full was achieved one year earlier than planned.

While NHS Grampian has now repaid outstanding debt in 2005/06 and is projecting a continuing break even position at the end of the 2006/07 financial year, there remains too much reliance on non-recurring funding sources to cover recurring expenditure commitments. Implementation of the Change and Innovation Programme and cost management programmes continues as a top priority for the organisation, bringing recurring commitments into line with available and projected recurring resources.

Performance Against Key Targets

NHS Grampian measures the quality of service for its users through a performance framework, which has been developed to monitor progress with the implementation of its Local Health Plan and to ensure continuous improvement of services.

Performance management is one of the primary functions of the NHS Board and NHS Grampian is committed to developing an organisational culture which promotes and facilitates quality improvement whilst being supportive and learning from occasions when targets are not fully achieved. A Balanced Scorecard approach has been adopted which identifies clearly how progress with each of the Corporate Objectives will be measured. Measures include the key performance indicators used by the Scottish Executive Health Department (SEHD) to hold Boards to account. In 2006/07, these will change from the previous national Performance Assessment Framework indicators to a smaller set known as the HEAT indicators:

- **H** Health Improvement for people in Scotland;
- **E** Efficiency Improvements;
- **A** Access more quickly to service; and
- **T** Treatment appropriate for patient.

The SEHD assesses NHS Grampian's performance each year through the Annual Review process. The Annual Review consists of a meeting in public at which key areas of performance are discussed. The outcome is captured in a formal letter to the Board, which then forms the basis of the Board's Annual Report that is published in November each year. A full performance report is made available to the public in advance of the Annual Review, which in 2006 is scheduled to take place on 7 August.

The following gives some information on NHS Grampian's performance against key national targets.

Health Improvement

NHS Grampian is committed to reducing mortality and morbidity generally and closing the inequalities gap that exists. The target is to increase the rate of improvement for the most deprived communities of Scotland by 15% across a range of indicators by 2008. NHS Grampian will deliver this target through continued implementation of its health improvement policies and programmes.

Implementation of the 'public smoking ban' will support NHS Grampian's focus to reduce smoking among those living in its most deprived postcode areas and on a more general basis. The proportion of adults smoking in Grampian has continued to reduce annually and in 2005 was approximately 24%. NHS Grampian believes that it will achieve the revised target for Scotland of 22% by 2010.

NHS Scotland has a 95% uptake target for all childhood vaccinations. NHS Grampian is achieving this for 4 of the 7 childhood illnesses. During 2005, NHS Grampian began to roll-out the SIRS scheduling system used elsewhere in Scotland and it is expected that this will lead to further improvements in reported performance. NHS Grampian's uptake rate for MMR was 91% in the quarter from October to December 2005 which represents a steady improvement on previous rates (the Scottish average for 2005 was 89.9%).

Mental Health is an NHS Grampian health improvement priority and action being taken will contribute to delivery of the national target for suicide prevention. Rates fluctuate annually and rose in 2003/04 but are predicted to reduce from 2005 onwards. To ensure focused activity to address suicide, NHS Grampian is an active partner in the implementation of the Choose Life initiative with specific action plans having been developed by the Choose Life multi-agency groups in Aberdeen City, Aberdeenshire and Moray.

Efficiency

As detailed elsewhere in this report, NHS Grampian met its financial targets in 2005/06. In particular, the revenue target of returning to break even was achieved one year earlier than planned and without serious impact on other corporate objectives.

NHS Grampian is committed to minimising staff absence rates and already experiences a low rate of absence when compared to other NHS bodies in Scotland. Its current absence rate is close to 5%, which represents a slight increase on the previous year. This is due to a number of workforce and recording changes that took place in 2005/06. However a number of initiatives are planned or are already in place to ensure delivery of the 4% national target by 2008. These include:

- The Proactive Support for Sickness Absence Project (PSSA) within the Facilities Directorate will be reviewed with a view to gradual roll-out across NHS Grampian;
- The 'Managing Attendance at Work Policy' will be further developed and implemented; and
- Continued development of work/life balance policies.

Access to Services

NHS Grampian continues to make good progress in reducing access times for patients in line with national targets. In 2005/06 this included:

- Confirmation through the GMS Quality and Outcomes Framework process that all GP practices continued to meet the national target of access to an appropriate health care professional within 48 hours;

- An increase in the percentage of children (aged 0-17) registered with an NHS Dentist to 59.3%, beginning to reverse a declining trend. The Community Dental Service continues to deliver a significant part of dental care in Grampian and around a fifth of all Scottish community dental activity is undertaken in Grampian. NHS Grampian is on target to open six new premises across Grampian in 2006/07, each with between one and four surgeries.
- NHS Grampian met the national target of no-one waiting longer than 26 weeks for inpatient, day case or outpatient treatment by December 2005 and has plans in place to achieve an 18 week maximum wait for inpatients and day cases by December 2006, one year earlier than the national target.
- The specific 18 week maximum target wait from angiography to surgery or angioplasty and the 8 week maximum wait for angiography were met in full.
- Through active participation in the Unscheduled Care Collaborative, sustainable improvements to Accident and Emergency waiting times are being delivered. In 2005/06 the percentage treated and discharged within 4 hours was generally in excess of 90%. This is predicted to improve to 95% by December 2006.
- The proportion of urgent cancer referrals treated within 2 months continued to increase during 2005/06. A wide range of initiatives have and are being implemented to optimise access time. Full achievement remains a challenge for breast and colorectal cancer although NHS Grampian is committed to achieving full delivery during 2006/07.

Treatment Appropriate to the Individual

The target set for NHS Grampian and its partners was that there should be no more than 142 delayed discharges by the April 2006 census date. Delayed discharges have reduced from a position of 365 in 2002. Elimination of delayed discharges is dependent on delivery of a system change which will be achieved through implementation of the Board's Change and Innovation Programme which aims to prevent hospital admission and facilitate discharge. As of the April 2006 census date, there were 154 delayed discharges. From 2006/07 onwards, targets to reduce those delayed more than 6 weeks have been set.

Grampian continues to perform well in Scottish terms against the national target for uptake of cervical screening of 80%. Whilst the uptake has fallen in recent years, the uptake in 2005 was approximately 87%.

Sustainability and Environmental Reporting

In keeping with its Environmental Policy, NHS Grampian continues to promote sustainable practice at all levels of the organisation.

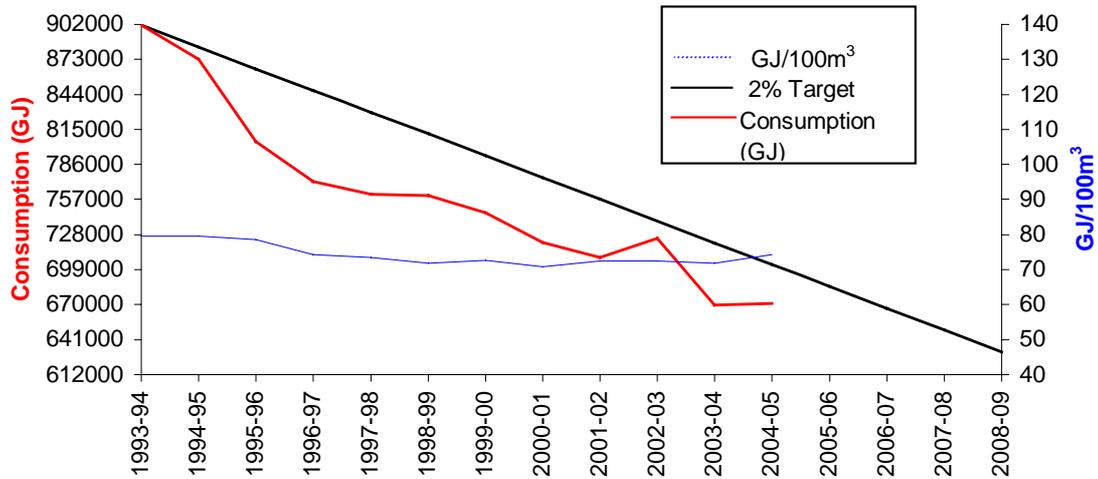
In the environmental setting, sustainability is an issue impacting not only on NHS Grampian but also on society as a whole. Sustainability seeks to ensure that finite resources are used in a manner that has zero impact on the ecosystem. NHS Grampian has therefore put in place the means to effectively monitor and target the consumption of utilities, of which fossil fuels and electricity are the major part.

In addition, NHS Grampian measures, by default, the output of CO₂, partly in response to the Emissions Trading regulations, and also as good environmental practice. In all environmental activity, the CO₂ index is the lowest common denominator and reference to this ensures the most efficient use of resources.

The diagram below, extracted from the annual Environmental Report published by Health Facilities Scotland, shows how NHS Grampian has taken seriously its commitment to sustainability which has resulted in a downward trend with regard to energy consumption.

Sustainability and Environmental Reporting (continued)

NHS Grampian Energy Trends and Targets



Graph showing the NHS Grampian energy trend since 1993/94, including consumption over this period and energy used per 100 square metres. The fall in consumption is tracked against the target of a 2% reduction in consumption per annum.

While there is an overall fall in the consumption, the GJ/100M2 indicator has remained fairly steady. NHS Grampian is addressing this by embarking on a series of awareness presentations both at sector level and also targeted at facilities staff.

Whilst a downward trend in consumption is welcome, the associated costs have risen dramatically in 2005/06 and, to some extent, will continue to do so in the near future.

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REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2006

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 2006 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2005 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2006 £000	Real increase in CETV in year (bands of £5,000)	Superannuable Service at 31 March 2006 No. of Years	Benefits in kind £000
Executive Members								
Chief Executive								
- Mr Richard Carey (from 17/1/06)	20-25	0-5	30-35	405	549	50-55	24	2
Chief Operating Officer								
- Mr Richard Carey (to 17/1/06)	85-90	See above	See above	See above	See above	See above	See above	See above
Interim Chief Executive								
- Mr Alexander Smith (to 17/1/06*)	95-100	5-10	50-55	741	N/a	N/a	32	-
Director of Public Health								
- Dr Eric Baijal (resigned 8/5/05)	10-15	0-5	35-40	464	N/a	N/a	24	1
Director of Finance								
- Mr Alan Gall	85-90	0-5	10-15	178	255	20-25	11	3
Medical Director								
- Dr Roelf Dijkhuizen	130-135	0-5	20-25	306	414	30-35	15	-
Nurse Director								
- Mr David Benton (resigned 31/8/05)	35-40	0-5	0-5	54	N/a	N/a	3	-
Interim Nurse Director								
- Mrs Elinor Smith (from 1/9/05)	45-50	0-5	15-20	245	348	35-40	18	3
Non Executive Members								
The Chairman								
- Mr James Royan	30-35	N/a	N/a	N/a	N/a	N/a	N/a	-
Deputy Chair								
- Mrs Anne Campbell (term ended 31/3/06)	15-20	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	5-10	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 (term ended 30/9/05)	0-5	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	-
Mrs Judith Hendry (appointed 1/4/05)	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-

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REMUNERATION REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2006

Non Executive Members (continued)	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 2006 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2005 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2006 £000	Real increase in CETV in year (bands of £5,000)	Superannuable Service at 31 March 2006 No. of Years	Benefits in kind £000
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	-
Councillor George McIntyre	5-10	N/a	N/a	N/a	N/a	N/a	N/a	-
Mr Gordon Stephen (appointed 1/10/05)	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	-
Total								9

* Mr Alexander Smith retired from the post of Interim Chief Executive of NHS Grampian on 17 January 2006. On 18 January 2006, he commenced a full time secondment from NHS Grampian to the Scottish Executive Health Department as their Interim Director of Finance, and remains an employee of NHS Grampian. His salary for the period to 17 January 2006 is disclosed above.

Annual Report

REMUNERATION REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2005

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	-
Deputy Chair - Mrs Anne Campbell	15-20	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	-
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	-

Annual Report

REMUNERATION REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2005

	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
Non Executive Members (continued)								
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

Annual Report

REMUNERATION REPORT (continued)

Remuneration of Executive and Non Executive Members

The remuneration of Executive and Non Executive Members is determined by the Scottish Executive Health Department (SEHD) under Ministerial Direction and in accordance with HDL(2005)56 and HDL(2005)58. NHS Grampian is currently in the process of implementing the new executive pay arrangements as detailed in HDL(2006)23. Salary on appointment is authorised by the NHS Grampian Remuneration Committee.

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 may be inspected by members of the public by contacting the Board Secretary on 01224 558600.

Remuneration Committee

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

- to agree terms and conditions of employment for Executive Members of the Grampian NHS Board;
- to monitor arrangements for the pay and conditions of service of senior managers, being those reporting to Executive Members and other Directors; and
- to regularly review NHS Grampian's policy for the remuneration and performance of senior managers in the light of guidance issued by the SEHD.

Membership: Professor Valerie Maehle (Chair), Ms Margaret Burns, Councillor Katharine Dean, Mr James Royan and Mr Gordon Stephen.

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 Executive and Non Executive members is in line with the recommendations set out in HDL(2005)56 and HDL(2005)58.

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 their approval. For non executive members, the process is undertaken by the Chairman and written evidence is submitted to the Minister for Health and Community Care.

Assessment of Performance (continued)

The progression of Executive Members through the pay range is subject to the fully acceptable performance of the individual. Performance Related Pay is subject to Ministerial Direction and any payments will be made in accordance with HDL(2005)58. Those Executive Members with an *outstanding* performance rating can receive up to a 4% non consolidated payment in accordance with HDL(2005)58. The Remuneration Committee and the SEHD, where appropriate, approve all payments to Executive Members.

The Annual Report of Grampian Health Board as set out on pages 1 to 16 was adopted by the Board on 29 June 2006.

Mr Richard Carey
Chief Executive
Grampian Health Board

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2005/06

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 Officer's letter to me of the 13 January 2006.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

29 June 2006

Date

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2005/06

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 2006 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

29 June 2006

Date

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 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 were in place 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 consideration by the Board of periodic reports from the chairmen of the staff governance, clinical governance and audit committees, concerning any significant matters on governance and internal controls; and
- The implementation of a unified Risk Management Strategy and robust prioritisation methodology based on risk ranking.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Executive 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 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 ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with guidance from Scottish Executive Finance.

Risk and Control Framework

All bodies subject to the requirements of the SPFM 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. Within NHS Grampian we have established the following arrangements within our risk and control framework:

- 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;

Risk and Control Framework (continued)

- We have developed an assurance framework to assist each of the core governance committees identify and assess risks that fall within their remit;
- Risk management action 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;
- We have procured an IT web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents and this is being rolled out across NHS Grampian in line with our risk management strategy. This will replace the existing manual incident reporting system; and
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

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 2006 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:

- Development of enhanced performance management arrangements based on the balanced scorecard methodology; and
- A comprehensive review of our clinical governance arrangements and performance of a self-assessment against the best practice principles set out in the Scottish Executive Best Value Guidance to Accountable Officers.

During the financial year ending 31 March 2006, the following actions were also commenced to further enhance the Board's system of internal control:

- Continued development and integration of our governance arrangements through the work of the Assurance Framework Steering Group;
- Progression of the change and innovation plans which will deliver service re-design; and
- Ongoing commitment to the refinement of our performance management arrangements and performance measures.

Review of Effectiveness

As Accountable Officer, I 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 the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and
- 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; and
- Independent consideration of the statement on internal control and its disclosures by the Audit Committee and the Assurance Framework Steering Group.

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. A plan to address weaknesses and ensure continuous improvement of the system is in place.

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 NHS Grampian indicates that the level of income lost in prescription, dental and ophthalmic charges for the year to 31 December 2005 could possibly amount to £1 million. It should however be emphasised that we have been provided with no assurances as to the likely accuracy of this estimate.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

29 June 2006

Date

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 2006 under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 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, Chief Executive and Auditor

The Board and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. I also report 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 Annual Report is not consistent with the financial statements, if the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Board's compliance with the Scottish Executive Health Department's guidance. I report if, in my opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Operating and Financial Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud 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 and the part of the Remuneration Report to be audited.

Opinion

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 affairs of the Board as at 31 March 2006 and of its surplus, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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.

Lynn Bradley
Director of Audit (Health)
Audit Scotland
7th Floor, Plaza Tower
East Kilbride

29 June 2006

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2005-06 £000	2004-05 £000
Clinical Services Costs			
Hospital and Community	4	564,503	528,064
Less: Hospital and Community Income	9	(11,347)	(12,286)
		<u>553,156</u>	<u>515,778</u>
Family Health	5	189,429	178,097
Less: Family Health Income	9	(9,411)	(9,648)
		<u>180,018</u>	<u>168,449</u>
Total Clinical Services Costs		<u>733,174</u>	<u>684,227</u>
Administration Costs	6	<u>3,850</u>	<u>3,737</u>
Other Services	7	11,610	15,312
Less: Other Operating Income	9	(71,281)	(59,200)
		<u>(59,671)</u>	<u>(43,888)</u>
Local Health Council (Prior Year only)	8	-	189
Net Operating Costs		<u>677,353</u>	<u>644,265</u>
SUMMARY OF REVENUE RESOURCE OUTTURN			
Net Operating Costs (per above)		677,353	644,265
Less: Capital Grants to Public Bodies	10	-	(173)
Less: FHS Non Discretionary Allocation		(25,735)	(23,552)
Less: Local Health Council (Prior Year only)	8	-	(189)
		<u>651,618</u>	<u>620,351</u>
Net Resource Outturn		651,618	620,351
Revenue Resource Limit		652,074	609,577
Saving/(Excess) against Revenue Resource Limit		<u>456</u>	<u>(10,774)</u>
MEMORANDUM FOR IN YEAR OUTTURN			
Brought forward deficit from previous financial year		5,970	4,804
Saving/(Excess) against in year Revenue Resource Limit		<u>6,426</u>	<u>(5,970)</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	Note	2005-06 £000	2004-05 £000
Net Gain on Revaluation of Tangible Fixed Assets	12	2,310	4,672
Net Gain on Revaluation of Intangible Fixed Assets	11	266	-
Movement in Donated Asset Reserve due to Receipts	20	427	3,034
Total Recognised Gains for the Year		3,003	7,706

BALANCE SHEET AS AT 31 MARCH 2006

	Note	As at 31/3/2006 £000	As at 31/3/2005 £000
FIXED ASSETS			
Intangible Fixed Assets	11	728	-
Tangible Fixed Assets	12	345,664	350,528
Total Fixed Assets		<u>346,392</u>	<u>350,528</u>
Debtors falling due after more than one year	14	4,749	4,475
CURRENT ASSETS			
Stocks	13	5,334	4,516
Debtors	14	21,986	20,956
Cash at bank and in hand	15	1,658	1,008
		<u>28,978</u>	<u>26,480</u>
CURRENT LIABILITIES:			
Creditors due within one year	16	<u>(87,613)</u>	<u>(69,841)</u>
NET CURRENT (LIABILITIES)		<u>(58,635)</u>	<u>(43,361)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		292,506	311,642
PROVISIONS FOR LIABILITIES AND CHARGES	17	(12,210)	(9,939)
		<u>280,296</u>	<u>301,703</u>
FINANCED BY:			
General Fund	19	212,559	231,246
Revaluation Reserve	20	53,532	56,291
Donated Asset Reserve	20	14,205	14,166
		<u>280,296</u>	<u>301,703</u>

Adopted by the Board on 29 June 2006

Mr Richard Carey
Chief Executive

Mr Alan Gall
Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2005-06 £000	2005-06 £000	2004-05 £000	2004-05 £000
NET OPERATING CASHFLOW					
Net cash outflow from operating activities			(645,079)		(613,628)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(17,392)		(12,344)	
Receipts from sale of fixed assets		18,134		2,047	
Net cash inflow/(outflow) for capital expenditure			742		(10,297)
Net cash (outflow) before Financing			(644,337)		(623,925)
FINANCING					
Funding	19	644,337		623,925	
Movement in general fund working capital		650		(446)	
Cash drawn down		644,987		623,479	
Net cash inflow from financing			644,987		623,479
Increase/(Decrease) in cash in year			650		(446)
NOTES					
1. Reconciliation of operating cost to operating cash flow					
Net Operating Cost for the year			(677,353)		(644,265)
Expenditure not involving payment of cash	3		14,401		25,332
Net movement on working capital	18		17,873		5,305
Operating cash outflow			(645,079)		(613,628)
2. Reconciliation of net cash flow to movement in net debt/cash					
Increase/(Decrease) in cash in year	15		650		(446)
Net debt/cash at 1 April	15		1,008		1,454
Net cash at 31 March			1,658		1,008

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Authority

These accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The particular accounting policies adopted by NHS Grampian follow UK generally accepted accounting practice (UK GAAP), as applied to the public sector in the FReM to the extent that they are meaningful and appropriate and are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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 (RRL). 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 that is not classed as funding.

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 Executive. 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 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 Capital 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 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;
- 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 market value, disregarding any potential alternative uses for the property.

Valuations of all land and building assets are assessed by valuers under a 5-year rolling 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 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 modified replacement cost basis to take account of modern substitute building materials only;

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	2-5

Intangible assets are amortised over the estimated lives of the assets, where applicable.

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.

Where assets are scheduled for disposal and their net book value exceeds their open market value, accelerated depreciation is applied so that the asset reaches open market value at the point at which the asset is taken out of operational use.

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 2006 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. Other transactions with NHS health bodies are disclosed within other NHS bodies, e.g. sharing administration costs, or with individuals are disclosed if material.

l) Liquid Resources

Net cash at bank, including deposits and overdrafts, is 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.

o) 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 (currently 2.8% for premature retirement and injury benefit provisions and 2.2% for others).

2. (a) STAFF NUMBERS AND COSTS 2005/06

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Other Staff £000	Total £000	2004-05 Total £000
STAFF COSTS						
Salaries and wages	526	152	327,268	-	327,946	297,691
Social security costs	62	10	24,875	-	24,947	23,884
NHS scheme employers' costs	72	-	35,940	-	36,012	33,832
Agency staff	-	-	-	1,663	1,663	1,482
	660	162	388,083	1,663	390,568	356,889
Compensation for loss of office*	-	-	-	-	-	70
TOTAL	660	162	388,083	1,663	390,568	356,959

* Compensation for loss of office relates to a former Executive 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)	2005-06 No.	2004-05 No.
Administration**	38	39
Hospital and Community Services	8,152	7,936
Other Services***	3,296	3,148
Local Health Councils	-	4
Other, including recharge Trading Accounts	17	38
Total Average Staff	11,503	11,165

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

*** This category includes the transfer of 150 staff from Initial Services to NHS Grampian in November 2005 when the contract for the cleaning of Woodend and Royal Cornhill Hospitals was brought in-house.

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) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2005-06 No.	2004-05 No.
Clinicians		
£50,000 to £60,000	135	125
£60,001 to £70,000	90	102
£70,001 to £80,000	73	63
£80,001 to £90,000	31	30
£90,001 to £100,000	68	24
£100,001 to £110,000	69	47
£110,001 to £120,000	39	47
£120,001 to £130,000	41	41
£130,001 to 140,000	27	33
£140,001 to 150,000	21	31
£150,001 and above	28	49
Other		
£50,000 to £60,000	53	39
£60,001 to £70,000	24	13
£70,001 to £80,000	4	6
£80,001 to £90,000	3	5
£90,001 to £100,000	2	-

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

3. OTHER OPERATING COSTS

	2005-06	2004-05
	£000	£000
Expenditure Not Paid in Cash		
Depreciation	16,820	15,547
Cost of capital	9,655	10,128
(Profit) on disposal of purchased fixed assets	(11,812)	(345)
Other non cash costs	(262)	2
Total Expenditure Not Paid in Cash	14,401	25,332
Travel, Subsistence and Hospitality	4,916	4,681
Operating Lease Rentals		
Hire of equipment (including vehicles)	1,786	1,471
Other operating leases	1,052	939
Total	2,838	2,410
Statutory Audit		
External auditor's remuneration and expenses	294	300
PFI/PPP and Similar Contracts		
Service charge relating to off-balance sheet PFI/PPP contracts	1,805	1,777

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

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2005-06	2004-05
	£000	£000
Treatment Costs By Provider		
NHSScotland Patients treated in Grampian	515,945	479,323
Grampian Patients treated by other NHSScotland Bodies	10,747	11,064
Grampian Patients treated by Health Bodies outside Scotland	720	686
Primary Care Bodies	56	101
Private Sector	3,687	3,797
Community Care		
Resource Transfer	28,795	27,537
Donations to Voluntary Bodies	743	791
Other Health Care, including Charities	3,038	4,051
Total NHSScotland Patients	563,731	527,350
Treatment of UK residents based outside Scotland	772	714
Total Hospital & Community Health Service	564,503	528,064
BY SERVICE CATEGORY		
Acute Services	331,082	302,986
Maternity Services	28,064	26,745
Geriatric Assessment	14,881	14,281
Mental Health Services	67,461	63,795
Learning Disability	6,491	6,551
Geriatric Long Stay	16,871	16,152
Other Community Services	35,372	35,193
Other Services	47,364	46,134
Total Care Expenditure	547,586	511,837
Additional Costs of Teaching	9,341	9,213
Research & Development	6,804	6,300
UK Residents based outside Scotland	772	714
Total as Above	564,503	528,064

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget £000	Non Discretionary £000	Total 2005-06 £000	Total 2004-05 £000
Primary Medical Services	78,231	-	78,231	70,088
Pharmaceutical Services	81,304	9,966	91,270	89,310
General Dental Services	236	16,060	16,296	15,615
General Ophthalmic Services	-	3,632	3,632	3,084
Total	159,771	29,658	189,429	178,097

6. ADMINISTRATION COSTS

	2005-06 £000	2004-05 £000
Board Members' Remuneration	822	874
Administration of Board Meetings and Committees	269	280
Corporate Governance and Statutory Reporting	675	661
Health Planning, Commissioning and Performance Reporting	1,123	1,084
Treasury Management and Financial Planning	404	397
Patient and Public Involvement	557	441
Total Administration Costs	3,850	3,737

7. OTHER SERVICES

	2005-06 £000	2004-05 £000
Occupational Health	1,572	1,520
Closed hospital charges	106	135
Compensation payments – Clinical*	1,510	5,846
Compensation payments – Other	479	123
Pension enhancement & redundancy	1,126	1,032
Patients' Travel Attending Hospitals	246	245
Patients' Travel Highlands and Islands scheme	14	18
Clinical Audit	887	991
Health Promotion	2,760	2,325
Public Health	2,281	2,079
Public Health Medicine Trainees	146	183
Emergency Planning	33	15
Loss on disposal of fixed assets	21	358
Other	429	442
Total Other Services	11,610	15,312

* There has been a reduction in the cost of clinical compensation payments in 2005/06, in comparison with 2004/05. In 2004/05, NHS Grampian made provision for two large clinical negligence claims, for which the Central Legal Office of the Scottish Executive Health Department estimated that NHS Grampian was likely to have to make settlement at a future date.

8. LOCAL HEALTH COUNCIL – PRIOR YEAR ONLY

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

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. Local advisory councils have also been established in each NHS Board area, with local support staff.

9. OPERATING INCOME	2005-06	2004-05
	£000	£000
HCH Income		
NHSScotland Bodies		
-Boards	9,499	10,136
Non NHS		
Private Patients	1,120	1,170
RTA Income	728	980
Total HCH Income	<u>11,347</u>	<u>12,286</u>
FHS Income		
Discretionary	5,489	5,268
Non Discretionary		
General Dental Services	3,922	4,380
Total FHS Income	<u>9,411</u>	<u>9,648</u>
Other Operating Income		
NHS Bodies	36,499	32,327
Contributions in respect of Clinical/Medical negligence claims*	725	4,534
Profit on disposal of fixed assets	11,833	703
Transfer from Donated Asset Reserve in respect of Depreciation	782	688
Interest Received	10	30
Other	21,432	20,918
Total Other Operating Income	<u>71,281</u>	<u>59,200</u>
Total Income	<u>92,039</u>	<u>81,134</u>
Of the above, the amount derived from NHS bodies is	<u>45,999</u>	<u>41,791</u>

* The reduction in the level of Contributions in respect of Clinical/Medical negligence claims is due to two large clinical negligence claims which were intimated in 2004/05, as detailed in note 7 to the Accounts.

10. ANALYSIS OF CAPITAL EXPENDITURE	2006 £000	2005 £000
EXPENDITURE		
Acquisition of Intangible Fixed Assets	462	-
Acquisition of Tangible Fixed Assets	16,048	11,583
Capital Grants to Public Bodies	-	173
Gross Capital Expenditure	16,510	11,756
INCOME		
Net book value of disposal of Tangible Fixed Assets	(6,042)	(1,702)
Capital Income	(6,042)	(1,702)
Net Capital Expenditure	10,468	10,054
SUMMARY OF CAPITAL RESOURCE OUTTURN		
Net capital expenditure as above	10,468	10,054
Capital Resource Limit	10,468	10,487
Savings against Capital Resource Limit	-	433

The saving of £433,000 in 2005 was carried forward and utilised in 2005/06.

11. INTANGIBLE FIXED ASSETS	Software Licences £000	Other Intangible £000	Total £000
Cost or Valuation :			
As at 1 April 2005	8	-	8
Additions	35	427	462
Disposals	(8)	-	(8)
Revaluation	-	266	266
At 31 March 2006	35	693	728
Amortisation			
At 1 April 2005	8	-	8
Disposals	(8)	-	(8)
At 31 March 2006	-	-	-
Net Book Value at 1 April 2005	-	-	-
Net Book Value at 31 March 2006	35	693	728

The Other Intangible Fixed Assets relate to allowances granted to NHS Grampian under the European Greenhouse Gas Emissions Trading Scheme.

12. (a) TANGIBLE FIXED ASSETS (Purchased Assets)

	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 2005	302,888	13,877	3,604	62,286	14,081	6,422	986	404,144
Additions	2,065	-	35	8,185	937	30	4,796	16,048
Completions	730	-	-	92	-	-	(822)	-
Revaluation	(4,558)	(2,041)	-	-	-	-	35	(6,564)
Disposals	(5,927)	(125)	(184)	(1,129)	(1,567)	(323)	-	(9,255)
At 31 March 2006	295,198	11,711	3,455	69,434	13,451	6,129	4,995	404,373
Depreciation								
At 1 April 2005	9,620	403	2,542	38,094	11,476	5,646	-	67,781
Provided during the year	11,063	424	286	4,015	836	196	-	16,820
Revaluation	(7,791)	(683)	-	-	-	-	-	(8,474)
Disposals	(35)	(8)	(181)	(1,101)	(1,567)	(321)	-	(3,213)
At 31 March 2006	12,857	136	2,647	41,008	10,745	5,521	-	72,914
Net Book Value of Purchased Assets at 1 April 2005	293,268	13,474	1,062	24,192	2,605	776	986	336,363
Net Book Value of Purchased Assets at 31 March 2006	282,341	11,575	808	28,426	2,706	608	4,995	331,459
Open Market Value of Land and Dwellings Included Above	3,028	-						

12. (b) TANGIBLE FIXED ASSETS (Donated Assets)

	Land & Buildings (excluding dwellings) £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation						
At 1 April 2005	12,401	171	4,722	97	44	17,435
Additions	-	-	427	-	-	427
Revaluation	258	-	-	-	-	258
Disposals	-	-	(19)	-	-	(19)
At 31 March 2006	12,659	171	5,130	97	44	18,101
Depreciation						
At 1 April 2005	225	121	2,813	90	21	3,270
Provided during the year	384	11	378	6	3	782
Revaluation	(142)	-	-	-	-	(142)
Disposals	-	-	(14)	-	-	(14)
At 31 March 2006	467	132	3,177	96	24	3,896
Net Book Value of Donated Assets at 1 April 2005	12,176	50	1,909	7	23	14,165
Net Book Value of Donated Assets at 31 March 2006	12,192	39	1,953	1	20	14,205

12. (c) FIXED ASSET DISCLOSURES	2006	2005
	£000	£000
Net book value of tangible fixed assets at 31 March		
Purchased	331,459	336,363
Donated	14,205	14,165
Total	<u>345,664</u>	<u>350,528</u>
Net book value related to land valued at open market value at 31 March	<u>3,028</u>	<u>8,022</u>
Net book value related to buildings valued at open market value at 31 March	<u>2,872</u>	<u>2,809</u>

Land and buildings were fully revalued by the Valuation Office Agency (VOA) at 31 March 2004 on the basis of depreciated replacement cost, existing use or market value, where no longer in use. NHS Grampian has introduced a rolling programme of revaluation to cover all properties over a five-year period. As part of that programme, the VOA carried out a revaluation of a portion of the estate as at 31 March 2006. Other tangible fixed assets were revalued on the basis of indices at 31 March 2006.

The net impact was an increase in value of £2.3million, which was credited to the revaluation reserve.

13. STOCKS

	2006	2005
	£000	£000
Raw Materials and Consumables	<u>5,334</u>	<u>4,516</u>

14. DEBTORS

	2006 £000	2006 £000	2005 £000	2005 £000
Debtors due within 1 year:				
NHS Scotland				
- SEHD	1		-	
- Boards	2,956		2,798	
Total NHSScotland Debtors	<u> </u>	2,957	<u> </u>	2,798
VAT recoverable		539		1,021
Prepayments and accrued income		5,432		4,770
Other debtors		10,663		10,704
Reimbursement of provisions		970		923
Other Public Sector bodies		1,425		740
Total Debtors due within one year		<u>21,986</u>		<u>20,956</u>
Debtors due after more than one year				
Prepayments and accrued income		866		783
Reimbursement of provisions		3,883		3,692
Total balances due after more than one year		<u>4,749</u>		<u>4,475</u>
Total Debtors		<u>26,735</u>		<u>25,431</u>

The above balances are net of a provision for bad debts of £122,000 (2005: £157,000)

15. CASH AT BANK AND IN HAND

	At 01/04/05 £000	Cash Flow £000	At 31/03/06 £000
OPG account balance	940	678	1,618
Cash at bank and in hand	68	(28)	40
Total cash – balance sheet	<u>1,008</u>	<u>650</u>	<u>1,658</u>
Total cash – cash flow statement	<u>1,008</u>	<u>650</u>	<u>1,658</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £000	2006 £000	2005 £000	2005 £000
NHSScotland				
-SEHD	37		-	
-Boards	3,598		1,567	
Total NHSScotland Creditors		3,635		1,567
General Fund Creditor		1,658		1,008
FHS Practitioners		25,941		23,824
Trade Creditors		8,294		12,000
Accruals and Deferred Income		33,749		18,441
Income Tax & Social Security		8,132		7,645
Other Public Sector Bodies		820		588
Other creditors		5,384		4,768
Total Creditors due within one year		87,613		69,841

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £000	Clinical & Medical £000	Other £000	Total £000
As at 1 April 2005	3,582	6,357	-	9,939
Arising during the year	1,049	1,071	1,416	3,536
Utilised during the year	(390)	(509)	-	(899)
Reversed Unutilised	(39)	(327)	-	(366)
As at 31 March 2006	4,202	6,592	1,416	12,210

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

The Other Provisions relate to allowances granted to NHS Grampian under the European Greenhouse Gas Emissions Trading Scheme and provision for a future VAT charge to NHS Grampian.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Opening Balances £000	Closing Balances £000	Net Movement £000
STOCK			
Balance Sheet	4,516	5,334	
Net (Increase)	<hr/>	<hr/>	(818)
DEBTORS			
Due within one year	20,956	21,986	
Due after more than one year	4,475	4,749	
	<hr/>	<hr/>	
	25,431	26,735	
Less:Capital included in above	(376)	(96)	
	<hr/>	<hr/>	
	25,055	26,639	
Net (Increase)			(1,584)
CREDITORS			
Due within one year	69,841	87,613	
Less : Capital included in above	(1,799)	(917)	
Less : General Fund Creditor included in above	(1,008)	(1,658)	
	<hr/>	<hr/>	
	67,034	85,038	
Net Increase			18,004
PROVISIONS			
Balance Sheet	9,939	12,210	
Net Increase	<hr/>	<hr/>	2,271
NET MOVEMENT Increase			<hr/> 17,873

19. GENERAL FUND	2006 £000	2005 £000
General Fund at 1 April	231,246	241,208
Opening General Fund Creditor	1,008	1,454
Add: Cash Drawn Down	644,987	623,479
(Less): Closing General Fund (Creditor)	(1,658)	(1,008)
Net Funding	644,337	623,925
Net Operating Cost for the Year	(677,353)	(644,265)
Cost of Capital	9,655	10,128
Transfer of Realised Element of Revaluation Reserve	4,669	250
Proceeds from Sale of Donated Assets	5	-
Net (decrease) in General Fund	(18,687)	(9,962)
General Fund at 31 March	212,559	231,246
20. MOVEMENTS ON RESERVES	2006 £000	2005 £000
Revaluation Reserve		
Balance at 1 April	56,291	52,235
Prior year adjustment	-	693
Restated balance as at 1 April	56,291	52,928
Indexation/Revaluation of fixed assets	1,910	3,613
Transfer of realised element to general fund	(4,669)	(250)
Balance at 31 March	53,532	56,291
Donated Asset Reserve		
Balance at 1 April	14,166	10,868
Prior year adjustment	-	(107)
	14,166	10,761
Indexation/Revaluation of fixed assets	400	1,059
Additions of donated assets	427	3,034
Release to the Operating Cost Statement	(783)	(688)
Transfer of realised element to general fund	(5)	-
Balance at 31 March	14,205	14,166

21 . CONTINGENT LIABILITIES

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

Nature	Value £000
Clinical, medical and employer's liability compensation payments	801

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 Executive Health Department estimates 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 Executive Health Department estimates there is a low risk of NHS Grampian having to make a settlement.

22. COMMITMENTS	2006 £000	2005 £000
Capital Commitments		

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

Contracted	<u>5,158</u>	<u>-</u>
Authorised but not Contracted	<u>14,475</u>	<u>9,327</u>

Included within capital commitments that have been contracted for are:

- £601,000 for the completion of a Satellite Renal Unit at Inverurie Hospital, a joint project between NHS Grampian and Gordon Renal Dialysis; and
- £3.6million for a new Integrated Dental Facility at Argyll House, which will include restorative dentistry and a Postgraduate Centre.

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

- £8.6million in relation to the upgrade of Chalmers Hospital, Banff;
- £2.5million 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;
- £1.7million for the development of new nursery facilities on the Foresterhill site to replace the existing facilities on this site as well as the Cornhill site;
- £1.7million towards a joint project with Aberdeenshire Council for the development of the Central Buchan Resource Centre which will comprise a care home and GP practice.

23. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating leases to pay rentals during 2006/07 are analysed, according to the period in which the leases expire, as follows :

	2006 £000	2005 £000
Obligations under operating leases comprise :		
Land and Buildings		
After five years	<u>447</u>	<u>407</u>
Other		
Within one year	157	139
Between two and five years (inclusive)	977	987
After five years	36	-
	<u>1,170</u>	<u>1,126</u>

24. COMMITMENTS UNDER PFI CONTRACTS

NHS Grampian has entered into the following PFI contract.

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 2006, NHS Grampian is committed to the following payments in 2006/07 in respect of the above contract, analysed by the period during which the commitment expires:

	31 March 2006 £000	31 March 2005 £000
Expiry within 2 to 5 years	1,805	1,777
	<u>1,805</u>	<u>1,777</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 2005-06, normal employer contributions of £36,012,000 were payable to the SPPA (prior year £33,832,000) at the rate of 14% of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £nil (prior year £160,000) 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.

Provisions amounting to £4,202,000 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 $1/80^{\text{th}}$ 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 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.