



Grampian Health Board
Annual Report and Accounts
2019/2020



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

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2020

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ANNUAL REPORT PERFORMANCE REPORT OVERVIEW

1. Purpose

This Overview aims to provide the reader with sufficient information to understand the purpose of the NHS Grampian Board, the key risks to the achievement of its objectives and how it has performed during the year. Should you wish to find out more detailed information we have provided this in the rest of the Performance Report, the Accountability Report and the financial statements.

NHS Grampian publishes a wide range of information on its services and activities on its website which you can find at: <http://www.nhsgrampian.org>

2. Statement from the Chief Executive

As we report on another year for NHS Grampian (the Board), I would like to express my thanks and appreciation to all our staff and partners for their fantastic work in supporting the provision of high quality health and social care to patients across the area.

During the final weeks of the year, we faced perhaps the most significant challenge that the NHS has had to face, with the WHO Emergency Committee declaring on 30 January 2020 that the COVID-19 outbreak met the criteria for a Public Health Emergency of International Concern.

The response from our staff, partners and the public in preparing for and responding to COVID-19 has been outstanding in the most difficult of circumstances. The care and compassion shown to patients and to colleagues during Operation Rainbow has been of the highest order and the level of commitment shown has been unprecedented.

I would also wish to thank all our partners for their support – our care homes, local authorities, our national health services colleagues and local resilience partnership members. The changes that you have helped us make has been essential to supporting the continuity of urgent and critical services whilst managing the impact of COVID-19. Our response has required and been enabled by whole system co-ordination and collaboration. The strength of our local Health and Social Care Partnerships and the generous support from the public have been a great credit to all in the North East of Scotland. For your support we are truly grateful.

All of us have had many moments of quiet reflection and our thoughts are with those families who have suffered personal loss at this time. Their lives and memories should never be forgotten and the impact on our communities across Grampian has been profound.

In the overview of the year, I usually set out the progress that we have made and celebrate our successes in the last 12 months. Whilst wishing to acknowledge the significant progress during 2019/20, including reducing waiting times prior to the onset of COVID-19, redesigning our CAMHS service and securing conditional approval for the business case for the Baird Family Hospital and ANCHOR projects, we know that the following months will present new challenges for our staff and the public and our focus is on preparing for the next phase of our response.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

2. Statement from the Chief Executive (cont)

Living with COVID-19 will be a factor for the foreseeable future and we are redesigning our services to ensure that we can continue to meet the health and social care needs of our population and provide a safe environment for our staff and most vulnerable patients.

Many of these changes will allow us to provide a greater level of care in our communities and build on the excellent foundations established through the integration of health and social care.

During this period your continued support will be important, and I would thank you in advance for working with our staff and services as we make the necessary changes to re-mobilise in the coming months.

I look forward to working with the Board, System Leadership Team, our staff and partners in addressing the challenges that we face and delivering the improvements that our key stakeholders and the people of Grampian expect from us.

Finally, I have recently announced my intention to retire and step down as Chief Executive of NHS Grampian at the end of 2020. Such an announcement would not normally be made this early, but the times we find ourselves in are far from normal! My extended notice period does mean that I will be able to work with my successor, whoever he or she will be, to ensure a smooth transition. Meantime, I am absolutely committed to leading our organisation through the coming months as we adjust to living with COVID-19 and look forward to working with the Board, System Leadership Team, our staff and partners in addressing the challenges that we face and delivering the improvements that our key stakeholders and the people of Grampian expect from us.

It has been my privilege to lead this organisation over the past three years. I am incredibly proud of all our staff and volunteers and in particular the way everyone has worked together recently to meet the challenges of this pandemic.

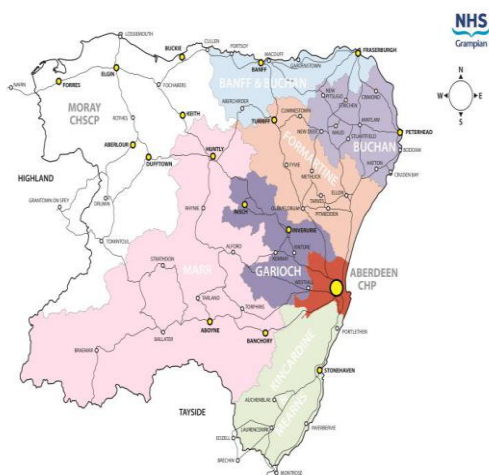


Professor Amanda Croft
Chief Executive

PERFORMANCE REPORT (cont) OVERVIEW (cont)

3. Background and Principal Activities

Grampian Health Board is responsible for leading efforts to improve the health of the people in Grampian, and for providing the health care services that people need. We also provide some specialist clinical and support services to other NHS Boards within the North of Scotland.



15,600 directly employed staff and a range of independent primary care practices (72 General Medical, 132 Pharmacy, 91 Dental and 57 Opticians) provide the full range of primary, community and specialist health services to the half-million people who live in Grampian.

Services are provided at over 100 locations and where possible in people's own homes across an area covering 3,000 square miles of city, town and village and rural communities.

In 2018/19 we treated 93,000 individual inpatient cases (2017/18 93,000), 43,000 day cases (2017/18 45,000), 42,000 day patients (2017/18 49,000), 436,000 patients attended our specialist out-patient clinics (2017/18 419,000) and our accident and emergency departments treated 153,000 people (2017/18 153,500).

We are the fourth largest health board in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Mental Health Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the three Integration Joint Boards (IJBs) covering Aberdeen City, Aberdeenshire and Moray. All our direct clinical services are supported by corporate functions such as Facilities, E-Health, Finance and Human Resources. The IJBs are legally constituted cross sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities. Executive Director and Non-Executive members of the NHS Grampian Board are members of the Integration Joint Boards which provide the strategic direction for the integration of adult health and social care.

The Scottish Government established a new body, Public Health Scotland, on 1 April 2020 in order to support and enable national and local partners in the wider public health system across Scotland to work together to improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland web site at the following link <https://www.publichealthscotland.scot/>

PERFORMANCE REPORT (cont)
OVERVIEW (cont)

4. Non-Financial Performance

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

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

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

During 2019/20 the Board has successfully met its financial targets while continually striving to deliver a safe and effective service within available resources.

Performance against the key national clinical treatment targets have clearly been impacted by the changes made in support of the COVID response. In the tables below we have set out the performance achieved to the end of March, or the most recent published information, and provided an update on the current position :-

Measure	Performance
Clostridium difficile infections per 100,000 occupied bed days	12.76 cases per 100,000 bed days for quarter ended December 2019 compared to the Scottish average of 14.93.
SAB infections per 100,000 acute occupied bed days	15.01 cases per 100,000 bed days for quarter ended December 2019 compared to the Scottish average of 15.19.
<p>Cleanliness and good clinical practice are high priorities for NHS Grampian. The Board participates fully in the Scottish Patient Safety Programme, which aims to improve the safety and reliability of healthcare and reduce harm, wherever care is delivered and receives regular reports on all aspects of Healthcare Associated Infection. Performance including rigorous auditing of compliance with hand washing and cleanliness is closely monitored by the Clinical Governance Committee. Each new case is discussed at a weekly multidisciplinary team meeting involving, where appropriate, Infection Prevention and Control Doctor(s), Infection Prevention and Control Nurses, Surveillance Nurse, Antimicrobial Pharmacist, and a microbiology registrar. By close investigation of each case and typing of the organisms, when indicated, the Infection Prevention and Control Team is assured that we have the appropriate governance arrangements to manage any outbreaks of CDI.</p>	

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

4. Non-Financial Performance (cont)

Measure	Performance
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment by September 2015.	The percentage spending 4 hours or less in an A&E department for the year ending March 2020 was 91.7% (94.8% for March 2019) compared to the national average of 89.2% (91.3% March 2019).
<p>During the period of COVID response we had to redesign our front door services to separate the treatment of COVID and Non COVID patients. During this period we saw a significant drop in the number of Emergency Department attendances (from 10,712 in February to 8,912 in March, 5,405 in April and 6,256 in May).</p> <p>Our performance against the 4 hour target also rose consistently during this period (averaging 92.5% in April and 95.8% in May 2020).</p>	

Measure	Performance
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	There were 91 patients delayed at the March 2020 census date compared to 117 in February (99 March 2019).
<p>In March 2020, the Scottish Government Director General of Health and Social Care instructed NHS Boards to deliver a material reduction in delayed discharges in order to free up capacity to help manage the impact of COVID-19 on our Acute Hospital system. The initiatives implemented across Grampian have seen numbers reduce to 23 patients delayed at the census date in April and 32 delayed in May).</p>	

Measure	Performance
18 weeks referral to treatment for specialist Child and Adolescent Mental Health services (90%)	For quarter ended 31 March 2020 86% of patients had been seen within the 18 week target (43.3% for quarter ended 31 March 2019).
<p>Our CAMHS service has undergone a significant redesign and moved to a purpose designed new unit in Aberdeen in June 2019. This has enabled us to improve our performance such that we are now able to offer all children referred to the service an initial CHOICE appointment within a timeframe close to the national waiting times standard.</p> <p>During the COVID response phase the service were able to adapt successfully, utilising recent investment in technology to support remote and virtual working with no drop in capacity.</p>	

PERFORMANCE REPORT (cont)
OVERVIEW (cont)
4. Non-Financial Performance (cont)

Measure	Performance
Cancer Access Times: 31 days from decision to treat (95%) and 62 days from urgent referral with suspicion of cancer (95%)	At 31 March 2020 95.2% of Cancer patients had been seen within the 31 day target and 83.3% within the 62 day target (90.1% within 31 days and 80.1% within 62 days for the quarter to December 2018).
<p>Although, cancer was classified as a protected service during the COVID response period and we have continued to treat patients at the earliest opportunity, there were a number of areas where the Board were required to adapt services to comply with guidance from the Scottish Government. In particular, the pausing of certain national screening programmes and some surgical activity has created a backlog in activity that is now a priority for the Board.</p> <p>Our recently agreed cancer surgery recovery plan is starting to have a positive impact on the diagnosed patients waiting for surgery, and the rate of rise of predicted undiagnosed patients has slowed as primary care referral rates have recovered to almost pre-COVID levels.</p>	

Measure	Performance															
12 week inpatient / daycase Treatment Time Guarantee (TTG) 12 weeks for first outpatient appointment	For quarter ended 31 March 2020 58.8% of inpatients and 72.3 % of outpatients had been seen within the 12 week target (47.3% of inpatients and 64.9% of outpatients at 31 March 2019).															
<p>The table below demonstrates a significant improvement in performance during the year, with the number of patients waiting over 12 weeks for treatment or a first outpatient appointment at 15 March 2020, reduced significantly over March 2019. However, as a result of the stepping down of elective care as part of our COVID-19 response, the numbers waiting have increased significantly during April and May 2020.</p> <table border="1"> <thead> <tr> <th></th> <th>25 Mar 2019</th> <th>15 Mar 2020</th> <th>27 April 2020</th> <th>11 May 2020</th> </tr> </thead> <tbody> <tr> <td>Outpatients</td> <td>12,745</td> <td>6,694</td> <td>9,592</td> <td>11,391</td> </tr> <tr> <td>Inpatient/Daycase</td> <td>4,919</td> <td>4,432</td> <td>6,134</td> <td>7,136</td> </tr> </tbody> </table>			25 Mar 2019	15 Mar 2020	27 April 2020	11 May 2020	Outpatients	12,745	6,694	9,592	11,391	Inpatient/Daycase	4,919	4,432	6,134	7,136
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Inpatient/Daycase	4,919	4,432	6,134	7,136												

In terms of our remobilisation plan, the stepping up of services will be in line with our clinically led surgical classification system which has been in place for a number of years. This system of prioritisation ensures those patients in most need are treated first and action plans are in place for individual pathways of care.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

4. Non-Financial Performance (cont)

The Board's non-financial performance measures focus on the characteristics, of the Healthcare Quality Strategy for NHS Scotland, which demonstrate that the system is Safe, Effective and Person Centred. Within this context we have agreed with the Scottish Government Health and Social Care Directorates (SGHSCD) to prioritise a range of key performance indicators to encourage and track improvement in the Board's overall performance. Performance against these areas should be considered in the context of a continued rise in demand across primary, community, social care and acute services. The Board's clinical strategy recognises the need to redesign services with an enhanced focus on self-management, prevention and provision of support in communities across NHS Grampian. Activity increases are due to a number of factors including demographics, population growth and enhanced national screening programmes aimed at early diagnosis and treatment.

Further details of the Board's performance against priority performance measures agreed with the SGHSCD can be accessed on the NHS Performs Scotland website at the following link <https://www.nhsperforms.scot/>

5. Risk and Uncertainty

The Board's Clinical strategy, Annual Operational Plan and Strategic Risk Register set out the key priorities, challenges and risks facing NHS Grampian in future years and how these will be mitigated. The challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services and a high standard of operational performance, whilst remaining in financial balance and achieving our financial targets. Key identified risks include the transformation in our services necessary to manage the impact of COVID-19.

Other identified risks also include the supply of skilled workforce, the need to invest to modernise our ageing infrastructure and equipment base and the risk to continuity of services arising from the uncertainty regarding the arrangements for the withdrawal of the UK from the European Union. The Strategic Risk Register also highlights the mitigation measures and controls that are in place to manage these risks.

Moving forward the Board will continue to build on the many positive changes and initiatives achieved in recent weeks and the relationships we have with key partners. The Integration Joint Boards (IJBs) provide a focus for effective engagement and delivery of our clinical strategy through a shift in the balance of care to community-based services.

The Strategic Risk Register is summarised on page 9 below. More information on the Board's risk management processes is set out on pages 32 to 34 and the actions taken in the year to mitigate strategic risks is described on pages 35 to 48.

6. Clinical Strategy

The Grampian Clinical Strategy for 2016-2021 was approved by the Grampian NHS Board in October 2016 following extensive discussion and engagement with staff, partners and the public. The Clinical Strategy is being reviewed during 2020/21 alongside the development of the Board re-mobilisation plan in line with the Scottish Government phased response to living with COVID-19. A copy of the strategy and details of the implementation plan can be accessed at the following [link](#).

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

6. Clinical Strategy (cont)

The Strategy sets out the direction, ambitions and high-level priorities for supporting staff in the planning and delivery of safe, high quality, person-centred and sustainable clinical services over the next five years and beyond. The main focus is to ensure staff have the appropriate support and mechanisms in place to continue to work collaboratively with patients, the public and our partners to improve health and clinical outcomes for the population of the North and North East of Scotland.

The strategy is about enabling good health and wellbeing of our staff, patients and the people of the North East and North of Scotland. It not only sets out NHS Grampian's priorities, but also outlines those shared priorities with health and social care partners in the North and North East of Scotland to improve population health and health equality, taking account of the changing demographics.

Projected population change – 2012-2037

Area	Growth (all)	Growth (pensionable age)
Scotland	8.8%	26.7%
Aberdeen City	28.4%	23.1%
Aberdeenshire	17.4%	37.3%
Moray	-2.2%	21.8%

The impact of COVID-19 has required the Board to review services across the whole system and in the last few weeks we have made some significant changes to the way we deliver our services. The establishment of community hubs, increased use of technology to support clinical and non-clinical care and the prominence of the public health response are examples on which the foundations for further changes can be made in line with our Clinical Strategy. In support of the clinical strategy, our strategy for the provision of Acute Services is in final draft form and will be considered for approval by the Board during 2020/21.

NHS GRAMPIAN STRATEGIC RISK REGISTER

Risk Title	Description	Current Risk Level
Quality and Safety of Care	There is a risk that the focus on quality and safety of care across NHS Grampian and partner organisations could be compromised due to culture, service and financial pressures and/or a failure to monitor and implement improvements based on new evidence based guidance, evidence from quality audits, independent assessment, patient experience and recorded incidents.	HIGH
BREXIT	There is risk to continuity of services arising from the uncertainty regarding the arrangements for the withdrawal of the UK from the European Union.	HIGH
Infrastructure	There is a risk that our infrastructure will not be fit for purpose nor compliant with statutory requirements if we do not have an adequate medical equipment, information technology and backlog maintenance programme and plan for redesign and transformation of services.	HIGH
Innovation and Transformation	There is a risk that innovation and transformation is not appropriately focused on the key change issues and opportunities related to the strategic themes of prevention, self-care, planned care and unscheduled care.	HIGH
Workforce	There is a risk that there are insufficient staff in the workplace to provide the required service provision which is driven by; service and workforce models, supply challenges, inefficient processes, availability and cost of supplementary staffing, capacity within the existing staffing resource, staff morale and workplace culture.	HIGH
Compliance	There is a risk that NHS Grampian and partners are exposed to legal and regulatory sanctions as a result of failure to comply with laws, regulations, internal rules and standards and codes of practice, applicable to the NHS. Potentially leading to legal penalties, financial forfeiture and loss of reputation.	HIGH
Involvement and Engagement	There is a risk that, if there is insufficient involvement and engagement of the public, patients, carers and staff all aspects of our operational and strategic business will be harder to deliver.	MEDIUM
Collaborative Working	There is a risk that, we will not be able to deliver effective and fit for purpose healthcare if future services are not integrated and developed in partnership with external partners, community and independent contract.	MEDIUM

PERFORMANCE REPORT (cont)
OVERVIEW (cont)

7. Financial Performance and Position

7.1 Consolidated Accounts

The Annual Accounts consolidate the results of Grampian Health Board, Grampian Health Board Endowment Funds and the three IJBs (Aberdeen City, Aberdeenshire and Moray). The basis of consolidation, explained in note 1 Accounting Policies on page 73, is determined by the extent of control Grampian Health Board can effectively exercise over each of its partner organisations. All Trustees of the Grampian Health Board Endowment Funds are members of Grampian Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Grampian Health Board Endowment Funds into the main Board accounts. Voting membership of each of the IJBs is however split equally between members of Grampian Health Board and members of each local council. The Board therefore has exactly half of the controlling interest in each IJB and, under IAS 28, is required to consolidate only this share of the net assets, as a Joint Venture, in to the main Board accounts.

The financial impact of consolidation is summarised below:-

Partner Organisation	Reported Net assets 2019/20 £000's	Consolidated Net assets 2019/20 £000's	Consolidated Net assets 2018/19 £000's
Grampian Health Board	420,340	420,340	386,862
Grampian Health Board Endowment Funds	36,767	36,767	40,374
Aberdeen City IJB	2602	1301	2,789
Aberdeenshire IJB	117	59	703
Moray IJB	187	93	128
Consolidated Net Assets	460,013	458,560	430,856

7.1.1 Grampian Health Board Endowment Funds

The Grampian Health Board Endowment Fund's (the Fund) net assets of £36.767 million represent £12.997 million unrestricted and £23.770 million restricted funds (2018/19: £40.374 million, £16.290 million unrestricted and £24.084 million restricted). The decrease in net assets of £3.607 million (2018/19 £3,147 million increase) relates to an in-year deficit on charitable activities of £1.190 million (2018/19 £0.413 million surplus), and a net loss on investments of £2.417 million (2018/19 £2.734 million gain) due to a reduction in the value of the Fund's investment portfolio following the reaction of global equity markets to the COVID-19 pandemic. This position had been recovered early in the new financial year however with the value of the portfolio rising from £41.826 million at the balance sheet date of 31 March 2020 to £45.774 million at 31 May 2020.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.1.1 Grampian Health Board Endowment Funds (cont)

Total income for the year was £3.531 million (2018/19: £3.017 million), £1.998 million (2018/19: £1.509 million) relating to donations and legacies and £1.533 million relating to dividends and interest on investments (2018/19: £1.508 million). The increase in income relates mainly to legacies, with £1.080 million received in 2019/20 compared to £0.468 million in 2018/19. Income from donations fell between the two years with £0.918 million received in 2019/20 compared to £1.041 million in 2018/19.

Total reported expenditure for the year was £4.721 million (2018/19 £2.604 million), £4.340 million relating to grants for charitable activities (£2018/19 £2.232 million), £0.189 million on staffing and support costs (2018/19 £0.192 million) and £0.192 on investment management fees (2018/19 £0.180 million). The excess of expenditure over income reflects the overall positive management of the Fund by Trustees, ensuring that donated funds are effectively utilised in line with the charitable objectives of the Fund, in accordance with donors wishes and that unnecessary surpluses do not accrue.

During the year, payments totalling £1.845 million (2018/19: £2.782 million) were made to Grampian Health Board to enable a range of research and other activities for the benefit of patients and £0.152 million (2018/19: £0.236 million) was received from Grampian Health Board mainly relating to income from research activities. Other charities and local community groups also benefitted from grants during the year to support a range of activities to improve the health and wellbeing of the people of Grampian. The full range of charitable activities of the Grampian Health Board Endowment Funds, including a copy of the 2019/20 annual report and accounts can be viewed at www.nhsgcharities.com.

7.1.2 Aberdeen City Integration Joint Board

Aberdeen City IJB reported an overall deficit of £2.976 million for the year (2018/19: £2.729 million), reducing the retained reserves carried forward to £2.602 million (2018/19 £5.578 million).

The in-year deficit is mainly due to higher than expected expenditure on prescription medicines driven by increased demand and price throughout the year and the cost of supplementary staffing at Woodend Hospital necessary to maintain safe levels during periods of absence. These areas are the focus of the IJBs financial savings plan in 2020/21. The retained reserve includes £1.271 million held as a general risk fund and £1.331 million earmarked to support community and primary care initiatives planned for future years.

Examples of recent initiatives include :-

- Published a strategic plan for the years 2019-2022, after it was approved by the IJB on the 26th of March 2019
- Implementing acute care at home model and targeted support for carers;
- Increasing availability of care, particularly intermediate care;
- Increased use of technology enabled care and responder services;
- Increased pharmacy support for GP practices

A copy of the 2019/20 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.1.3 Aberdeenshire Integration Joint Board

Aberdeenshire IJB reported a deficit for the year of £1.288 million (2018/19: surplus of £1.405m). This reflects :

- A deficit for the year against the revenue budget of £5.621 million.
- Additional funding contributions by partners to adjust the position to breakeven. NHS Grampian contributed £3.255 million and Aberdeenshire Council contributed £2.366 million (2018/19: £3.137 million, £1.742 million from NHS Grampian and £1.395 million from Aberdeenshire Council) in line with the partner shares agreed as part of the integration scheme.
- The use of funding from earmarked reserves during the year of £1.288 million. Earmarked reserves had a balance of £1.405 million at 1st April 2019 and £0.117 million at 31st March 2020, reflecting expenditure of £1.288 million. The use of the earmarked reserve during the year is reflected as a deficit in the Annual Accounts.

The deficit against revenue budget relates mainly to challenges experienced throughout the year in adult social care where demographic and demand pressures have seen higher numbers of people admitted to residential care and an increase in the provision on care at home services, difficulties maintaining the required staffing skill mix in Community Hospitals and increasing numbers of health related referrals to specialist out of area facilities.

Examples of recent initiatives include:-

- Strategic Plan 2020-2025 approved in December 2019.
- Implementation of successful healthy lifestyle interventions as part of the Health Improvement Delivery Plan.
- Continued operation of the Virtual Community Ward resulting in many hospital admissions being avoided.
- Roll out of training to support Rehabilitation and Enablement.
- Inspection of six Care Homes under the new Quality Framework which were measured as achieving a High Standard.
- Improvements in the level of Dementia Post Diagnostic support.
- Improved performance for Alcohol Brief Interventions.
- Roll out of Link Workers in Primary Care settings in areas with the highest levels of deprivation.
- Carers offered Adult Carer Support Plans or Young Carer Statements as part of the implementation of Carers (Scotland) Act.
- Implementation of the Adult Protection Committee Action Plan.
- Positive and consistent results from the iMatter staff engagement process which enables views to be gathered from staff about their experience of working for the Partnership.
- Development of Technology Enabled Care – Video Consultation and Home & Mobile Health Monitoring.
- Continued implementation of the Primary Care Improvement Plan with the development of new models of care within primary care teams.

A copy of the 2019/20 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.1.4 Moray Integration Joint Board

Moray IJB reported a deficit for the year of £0.070 million (2018/19: surplus £0.256m) this reflects:

- A deficit for the year against the revenue budget of £2.073 million.
- Additional funding contributions by partners to adjust the position to breakeven. NHS Grampian contributed £1.306 million and Moray Council contributed £0.767 million (2018/19: NHS Grampian contributed £0.752 million and Moray Council contributed £0.441 million) in line with the partner shares agreed as part of the integration scheme.
- The use of funding from earmarked reserves during the year of £0.070 million. Earmarked reserves had a balance of £0.257 million at 1st April 2019 and £0.187 million at 31st March 2020, reflecting expenditure of £0.070 million. The use of the earmarked reserve during the year is reflected as a deficit in the Annual Accounts.

The deficit against revenue budget is mainly due to challenges experienced in relation to adult social care where demographic and demand pressures have seen higher numbers of people receiving support in the community, difficulties maintaining the required staffing skill mix in Community Hospitals, the result of higher than expected expenditure on prescription medicines driven by increased demand and price and the increasing numbers of high cost individuals with complex needs, in particular with learning disabilities, which includes young people transitioning from children's services

Examples of recent initiatives include :-

- The production of a revised Strategic Plan 2019-29 'Partners in Care' which was launched in December 2019.
- Continuing to implement the 2018 General Medical Services (GMS) contract through the approved framework.
- Establishment of a programme board to scope the initial agreement for the Keith and East Locality (inaugural meeting 29th May 19) for the provision of a new health and community care centre.
- Learning Disabilities Transformation – developing and building on the progression model.
- In partnership with external organisations, developing extra care housing models providing choice and control for individuals and improving outcomes.
- Partnership approach to reviewing the Clinical and Care Governance framework to ensure professional assurance is in place. Workshop held Jan 19 and attended by NHSG Medical Director and Executive Nurse Director, Chief Social Work Adviser for Scotland, IJB Chief Officer and Chief Social Work Officer.
- Community Engagement – provision of community hospitals in Speyside (temporary closure of Fleming Hospital, Aberlour).

A copy of the 2019/20 Moray IJB annual report and accounts can be viewed at the following [link](#)

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

The results of each of the partner organisations, although consolidated with the main Board accounts for group accounting purposes, do not form part of the statutory financial target set for NHS Boards by the (SGHSCD) and are therefore not taken in to account when considering the Board's in year financial performance. The three annual financial targets set for each Health Board by the SGHSCD are:

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

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

Statutory Financial Targets	Limit as set by SGHSCD £000's	Actual Outturn £000's	Variance Under £000's
Core Revenue Resource Limit	1,099,848	1,099,823	25
Non-Core Revenue Resource Limit	39,155	39,155	-
Total	1,139,003	1,138,978	25
Core Capital Resource Limit	15,034	15,034	-
Cash Requirement	1,189,835	1,189,835	-

Memorandum for In Year Out-turn	£000
Core Revenue Resource Variance Surplus in 2019/20	25
Financial flexibility : funding banked with Scottish Government	1,000
Underlying Surplus against Core Revenue Resource Limit	1,025
	0.09%

A three-year financial plan was submitted to Scottish Government by Grampian Health Board on 29 March 2019 and subsequently approved. Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £1.025m (equivalent to 0.09%). The underspend is within the one per cent flexibility afforded by the three-year financial planning and performance cycle, and will be managed within an overall breakeven position in the period to 2021-22.

The efficiency savings target of £10.7 million for the year on NHS Grampian directly managed services was achieved in full through the continued implementation of a range of initiatives including use of biosimilar drugs as alternative treatment regimes, slippage against planned investment, more efficient procurement and savings in non-clinical areas. Recurring savings amounted to £4.8 million and non-recurring of £5.9 million.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

Net expenditure for the year was £1,194 million (2018/19 £1,121 million), up £73 million over the prior year. The Consolidated Statement of Comprehensive Net Expenditure can be found on page 65, a more detailed analysis of Expenditure in note 3 on page 94 and a more detailed analysis of income in note 4 on page 95.

The main areas of increased expenditure over the prior year can be explained as follows :-

Staff Costs increased by £77 million partly due to the impact of the annual pay uplift (£22.5 million) and an increase in employer superannuation contribution rates (£30 million) and partly to the increased costs of additional staffing employed throughout the year in order to maintain safe and effective staffing levels. Expenditure on temporary agency staff increased by £7 million and £12 million related to the transfer of responsibility for Doctors in training from NHS National Education Scotland to NHS Grampian.

Independent Primary care service costs increased by £9 million partly due to the annual uplift in contractual payments to independent practitioners, the increase in employer superannuation contribution rates applied to the contractual arrangements for General Medical Services practitioners, and the transfer of drug cost tariff reductions from the ingredient cost of drugs in to the global sum payment received by pharmacists.

Drugs and Medical supplies increased by £6m mainly due to the introduction of new drug therapies and the impact of inflation across the range of medical consumables.

Other areas of cost increase during the year include an additional £2 million in specialist services provided for Grampian residents by other NHS bodies, £3m in care purchased from private sector providers to assist in achievement of treatment time guarantees, £3m in property related running costs, mainly maintenance and clinical waste disposal, £2m in purchase, servicing and repair of equipment and £8 million for Clinical Negligence and Employer liability compensation claims, mainly relating to payments in the current year to settle claims provided for in prior years. At the year end the Board provided £51 million for legal obligations arising from clinical negligence and other employer liability claims (2018/19 £49 million). Details are provided in note 13 on page 108.

The above increases in expenditure were partly offset by a corresponding increase in income of £23m from other NHS Boards to cover the costs of Doctors in Training seconded out-with Grampian and services provided by NHS Grampian to those other Boards residents, £4m relating to the recovery of the contribution to the cost of compensation for Clinical Negligence and Employer Liability from the CNORIS scheme and £3m for services provided to other organisations.

The provision for impairment of receivables is quantified at £2.3 million (2018/19 £1.8 million) and is disclosed under trade and other receivables in note 9 on page 103. The provision is reviewed regularly by management and the increase of £0.5m in 2019/20 reflects the changing risk profile in relation to several classes of debt.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets

7.2.1 Impact of IJBs on Health Board Accounts - pre consolidation

Each of the three IJBs in Grampian (Aberdeen City, Aberdeenshire and Moray) are established as a separate legal organisation under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and have full delegation of functions and resources, acting as principal in their own right, to enable integration of primary and community health and social care services. Accordingly, the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this in the Health Board's accounts, is expenditure of £552.878 million (2018/19 £528.481 million), income of £553.829 million (2018/19 £522.580 million) and a net retained reserve relating to IJB directed health services of £6.3 million (2018/19 £11.8 million). The expenditure is included in note 3 on page 94 and income in note 4 on page 95.

7.2.2 Property Valuation

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2020. The values were calculated in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS and applied to reflect local market conditions at 31 March 2020. The effect of this revaluation on individual assets was some gained value while others were impaired. The impact of those assets subject to an upward movement in valuation was an increase to the revaluation reserve of £38.739 million (2018/19: £4.714 million). IAS 36 requires that impairments charged to the Statement of Comprehensive Net Expenditure (SOCNE) in prior years should be reversed to offset any subsequent increase in value relating to that particular asset. The net impact of impairment reversal in 2019/20 was a credit to the SOCNE of £0.399 million after adjusting for those other assets subject to a downward movement in valuation (2018/19: £3.215 million impairment charged to SOCNE). The Board's non-core funding allocation for the year was adjusted to compensate for the impairment credit.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as '*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.*' Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Grampian as at 31 March 2020 and can be relied upon. Further information is available in the section on key sources of judgement, estimation and uncertainty in note 1 accounting policies, on page 90.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

7. Financial Performance and Position (cont)

7.2 Grampian Health Board performance against statutory financial targets (cont)

7.2.3 Infrastructure and Non-Current Assets

The Board delivered a programme of infrastructure investment totalling £27.715 million during 2019/20. This overall programme was resourced using a combination of capital funding from the SGHSCD (£15.034 million, see note 7d), income from donations (£1.539 million; split capital £1.381 million and revenue £0.158 million), revenue budgets made available to support estates maintenance (£9.320 million) and £1.822 million net proceeds from asset disposals, mainly the sale of Woolmanhill Hospital.

Major investments during the year include:

- Ongoing design, site preparation and enabling works for the Baird Family Hospital and Anchor Centre (£3.2 million);
- Ongoing design and development costs in support of the Elective Care services project (£1.9m);
- Ongoing design and development costs in support of the replacement of Denburn and Northfield Health Centres (£0.4m);
- Completion of Ligature reduction works in Fraser ward, continuation of the roll out of the agreed programme of Ligature reduction works to Dunnotar and Fyvie wards at Royal Cornhill Hospital and commencement of the programme of other non-invasive ligature reduction measures to other wards and departments at Royal Cornhill Hospital (£5.3m);
- Completion of the upgraded single site facility at the City Hospital for the Child and Adolescent Mental Health services (£0.8m);
- Investment of £2.4 million to progress a range of essential backlog maintenance and statutory compliance issues at a number of other locations across the estate;
- Improvements to oxygen resilience arrangements at Foresterhill (£0.9m);
- Licences to support the implementation of the HEPMA electronic prescribing system (£0.8m);
- Completion of replacement of first of two Interventional Radiology Systems (£1m);
- Disposal of the old Cyclotron and associated ongoing enabling works for installation of new cyclotron facility at ARI (£3.7 million);
- Investment of £6.8 million in replacement of other essential plant, IT and medical equipment; and
- Investment of £0.5m to progress various minor schemes including minor primary care premises improvements, greenspace initiative and closure of the staff home building at Woodend Hospital.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

8. Fraud, Bribery and Corruption

NHS Grampian has a zero tolerance for fraud, bribery or corruption. Staff are briefed regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including targeted training in relation to absence fraud and cybercrime. In addition, the Board have continued to develop arrangements for the disclosure of information in the corporate register of interests, gifts and hospitality.

During the year, NHS Scotland Counter Fraud Services also performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for Grampian indicates that the level of income from dental and ophthalmic charges in the year to 31 December 2019 could potentially have been £0.3 million higher (2018/19: £0.4 million) due to incorrect claims.

9. Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 18 and the Remuneration Report.

10. Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2019/20, the average credit taken was 9 days (2018/19: 8 days). In 2019/20 97% of invoices by value (2018/19 97%) and 96% of invoices by volume (2018/19 96%) were paid within 30 days. In 2019/20 93% of invoices by value (2018/19 94%) and 89% of invoices by volume (2018/19 91%) were paid within 10 days.

11. Social Matters

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

The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports in 2019/20 including the following key updates on progress:

- An NHS Grampian Equal Pay Monitoring Report, published in April 2019 and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2018/19.

Other non-Statutory Equality and Diversity Monitoring Reports on a wide range of topics have also been published.

PERFORMANCE REPORT (cont)

OVERVIEW (cont)

11. Social Matters (cont)

During 2019/20, over 2,500 NHS Grampian staff received “face to face” Equality and Diversity Training at a level appropriate to their role in the organisation. Over the last three years, over 4,000 NHS Grampian staff have received this training. All participants receive their own personal copy of the Human Rights Act 1998 and other reference materials in hard copy format, these are also available electronically. This material is then discussed in detail, with appropriate examples. Topical social matters are also included in all of our training sessions. For example:

Human Trafficking

A current serious social issue in Grampian is Human Trafficking. This has been covered in detail at every training session for the last 5 years. All participants receive their own personal copy of the Police Scotland leaflet: “Human trafficking, Reading the Signs”. We also use anonymised local examples of trafficking. A number of people have been rescued from the misery of Human Trafficking in 2019/2020 due to staff being alert to the signs of Human Trafficking and taking immediate action.

Demographic Changes and Social cohesion

Grampian is one of the most attractive areas in Scotland for inward migration. The changing demography of Grampian is covered in all of our training sessions. Over the last 3 years, special emphasis has been given to meeting the needs of New Syrian migrants, who have settled in Grampian. We have included the topic of social cohesion at every training session for the last 5 years.

Consultation and involvement events with our local ethnic communities

Since 2008, NHS Grampian has carried out at least 5 involvement and consultation events with our local ethnic communities every year. These are carried out on a joint basis with the Grampian Regional Equality Council. On average, over 170 members of our local ethnic communities attend. The events are advertised and presented in over 7 different local ethnic community languages. Our research has shown that over 95% of our local ethnic community members are non-English speaking when they first arrive in Grampian.

The information collected allows us to plan effectively to meet the healthcare needs of our local ethnic communities. This work is also outreach, we provide a wide range of information in the main local ethnic community language to participants and encourage them to register with their local GP.

In 2019/20, at the Seminars, our staff were able to share with participants information on BREXIT provided by the UK Government. This helped to response to some of the areas which had been causing staff concern and in some cases real distress.

More information on the above is available on the NHS Grampian website at this [link](#)

PERFORMANCE REPORT (cont) OVERVIEW (cont)

12. Sustainability and the Environment

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which Grampian Health Board is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the [Climate Change Plan 2018-2032](#) while national reports can be found at the following resource: <https://sustainablescotlandnetwork.org/reports>

13. Events after the end of the reporting period

No events occurred after the end of the financial year and before the date of publication that will have a material impact on the content of these accounts as presented.

A L. Croft

.....
03 September 2020

**Professor Amanda Croft
Chief Executive
Grampian Health Board**

ACCOUNTABILITY REPORT
a) CORPORATE GOVERNANCE REPORT
i) THE DIRECTORS' REPORT

1. Naming Convention

NHS Grampian is the common name of Grampian Health Board.

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

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 3 September 2020.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 74.

4. Accounting Convention

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of the Grampian Health Board Endowment Funds (operating as NHS Grampian Endowment Funds). Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation. The Annual Accounts also consolidate the Board's interest in the three Integration Joint Boards (IJBs); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements, each IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint arrangements, the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 119 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 72.

5. Appointment of Auditor

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2021/22, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland, to undertake the audit of Grampian Health Board. The original 5-year term of the appointment was extended by a further year on 9 June 2020. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General which can be accessed on the Audit Scotland website at the following link : <https://www.audit-scotland.gov.uk>

ACCOUNTABILITY REPORT (cont)
a) CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)
5. Appointment of Auditor (cont)

The Trustees of NHS Grampian Endowment Funds appointed Scott Moncrieff as external auditor, for the financial year 2019/20.

6. Role of the Board

Grampian Health Board was established in 1972 under the National Health Services (Scotland) Act 1972 and is responsible for commissioning services for the residents of Grampian, a total population of over half a million people. NHS Boards working in partnership with Integration Joint Boards, form a local health system, with governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The role of the Board is to:

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

All Board members are also trustees of the NHS Grampian Endowment Funds, a registered charity established by the NHS (Scotland) Act 1978 and subject to the legal framework of the Charities and Trustee Investment (Scotland) Act 2005. The charitable purpose of NHS Grampian Endowment Funds is to enhance healthcare and patient welfare in Grampian, through:

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

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJBs), Moray, Aberdeen City and Aberdeenshire, are established in Grampian with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive members of Grampian Health Board are appointed to represent the Board as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB, is shared equally between Grampian Health Board and the relevant Local Authority.

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

7. Board Membership

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

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

Chair : Professor Lynda Lynch

Vice Chair : Mrs Rhona Atkinson

Mrs Rhona Atkinson also acted as Chair during the period August 2019 to March 2020 while Professor Lynch was on Maternity leave.

Non-Executive Members:

Mrs Amy Anderson
Professor Siladitya Bhattacharya (from 1 July 2019)
Ms Kim Cruttenden
Councillor Isobel Davidson
Mr Albert Donald (from 1 February 2020)
Ms Joyce Duncan
Mrs Luan Grugeon
Miss Rachael Little
Councillor Douglas Lumsden
Councillor Shona Morrison
Mr Jonathan Passmore
Mr Sandy Riddell
Mr Dennis Robertson
Mr John Tomlinson

Executive Members:

Professor Amanda Croft	Chief Executive
Professor Nick Fluck	Medical Director
Mr Alan Gray	Director of Finance
Dr Caroline Hiscox	Nurse Director (from 24 September 2019)
Mrs Susan Webb	Director of Public Health

Professor Amanda Croft was the accountable officer for NHS Grampian throughout 2019/20. First as Interim Chief Executive and then following her permanent appointment as Chief Executive from 12th April 2019.

Mr Alan Gray was Director of Finance for both NHS Grampian and NHS Tayside until 30 June 2019 when he reverted to a full time role as Director of Finance for NHS Grampian.

The Board members' responsibilities in relation to the accounts are set out in a statement on page 26 below.

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

12. 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 on the NHS Grampian Website at the following link <http://www.nhsgrampian.org> or by contacting the Assistant Board Secretary on 01224 558600. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2019/20 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds or as a member of an IJB that required disclosure in the accounts under IAS 24.

13. Disclosure of Information to Auditor

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

14. Remuneration for Non Audit Work

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2019/20 (2018/19 £0).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received £18k fees for non-audit work during 2019/20 (2018/19 £0).

15. Public Services Reform (Scotland) Act 2010

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

16. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office (ICO) on twelve occasions during 2019/20 (2018/19 six). All of these incidents, and those relating to prior years, are now closed. Recommendations were made and acted upon but no enforcement action or penalties were applied by the ICO.

17. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 19.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

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

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

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

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

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

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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 17 April 2019.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2020 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

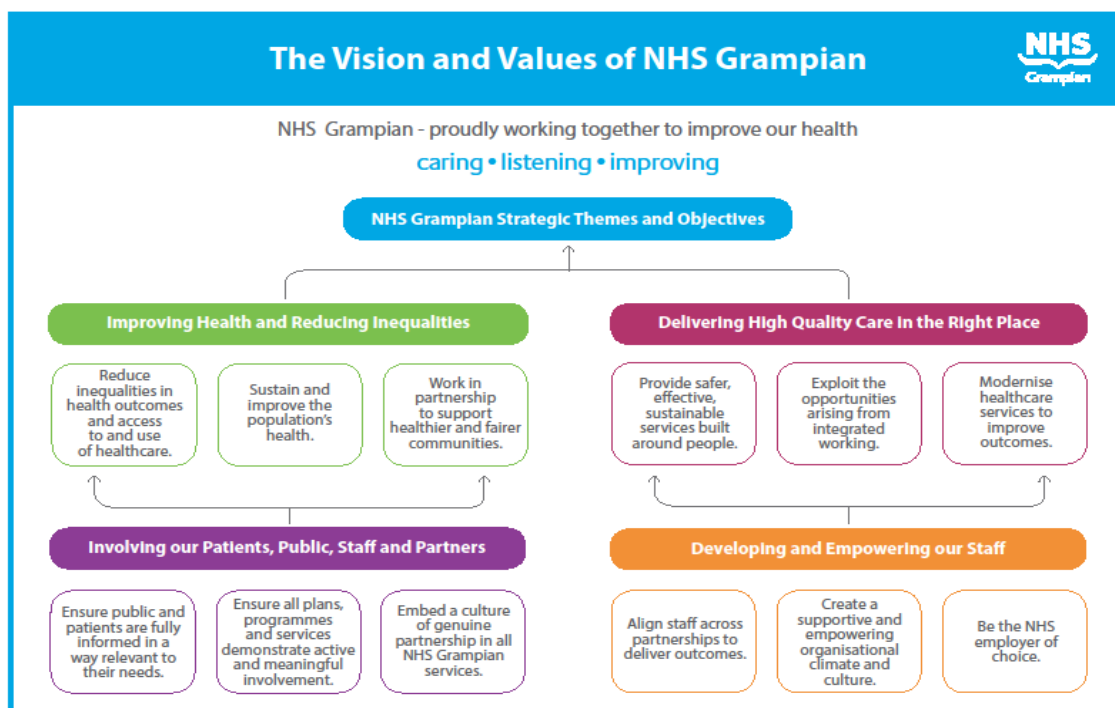
ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Grampian Clinical Strategy for 2016-2021 sets out our aspiration to improve population health and health equality. The Clinical Strategy is covered in more detail on page 7 above. The Board are committed to working with our partners and staff to improve the health of the people of Grampian and the clinical strategy has been developed in line with our strategic vision and values which are detailed below:



The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives. The Board's Engagement and Participation Committee (see page 30 below) has a key role ensuring that patients, carers and the general public are effectively informed about and involved in services and the strategic agenda in a variety of ways.

2. Assurance Framework

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

- strategy development and implementation;
- resource allocation;
- implementation of the Annual Operational Plan; and
- performance management.

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

In addition, as explained in the Director's Report on page 22, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment ("Scotland") Act 2005.

The Directors report on page 22 also explains the establishment of the three Integration Joint Boards (IJBs), in Moray, Aberdeen City and Aberdeenshire. Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of adult health and social care services to each IJB. The delegation of services is governed by an integration scheme agreed by both partners and Executive Director and Non-Executive members of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The Board's performance management arrangements reflect those services delegated to the IJBs and the Chief Officers of each IJB attend each meeting of Grampian Health Board and each of the Board's key Governance Committees as required.

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

Clinical Governance Committee

The Clinical Governance Committee meets four times per year. Its role is to oversee quality and clinical governance for the Board and ensure that quality standards are being set, met and continuously improved in appropriate areas of clinical activity and that effective arrangements for supporting, monitoring and reporting on quality and clinical governance are in place and working effectively across NHS Grampian.

Membership: Ms Joyce Duncan (Chair), Mrs Amy Anderson, Professor Siladitya Bhattacharya (from January 2020), Mrs Kim Cruttenden, Councillor Shona Morrison, Mr Dennis Robertson and a public representative.

Staff Governance Committee

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

Membership: Mr Jonathan Passmore (Chair), Mrs Rhona Atkinson, Miss Rachael Little, Professor Lynda Lynch and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

Remuneration Committee

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

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

Membership: Mr Jonathan Passmore (Chair), Mrs Rhona Atkinson, Miss Rachael Little, Professor Lynda Lynch and Mr Sandy Riddell. There is Executive Director and Staff Side representation at each meeting.

Audit Committee

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

- The review of internal and external audit arrangements;
- The regular review of findings and associated management action arising from internal and external audit activity;
- Approve changes to accounting policies, and review the Health Board Annual Report and Accounts prior to their adoption by the full Board;
- 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: Mrs Rhona Atkinson (Chair to 25 June 2019), Mr Sandy Riddell (Chair from 26 June 2019), Councillor Isobel Davidson, Miss Rachael Little, Councillor Douglas Lumsden and Mr John Tomlinson.

Performance Governance Committee

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

Membership: Mrs Rhona Atkinson (Chair), Professor Lynda Lynch, Mrs Joyce Duncan, Mrs Luan Grugeon, Miss Rachael Little and Councillor Shona Morrison.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

Engagement and Participation Committee

The Engagement and Participation Committee meets four times per year. The Committee's role is to provide strategic direction, quality assurance and monitoring of progress on all aspects of engagement and participation with patients, carers and the general public, ensuring they are effectively informed about and involved in services, and the strategic and corporate agenda in a variety of ways.

Membership: Mrs Amy Anderson (Chair), Dr Caroline Hiscox, Mrs Kim Cruttenden Councillor Isobel Davidson, Professor Nick Fluck, Miss Rachael Little, Mr Jonathan Passmore, Mr John Tomlinson and Mrs Susan Webb. There is also extensive staff, clinical, management and public representation at meetings.

Endowment Sub Committee

The Endowment Sub Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2020 valued at £36.7 million (31 March 2019 valued at £40.4 million).

Membership: Mrs Luan Grugeon (Chair), Mr Alan Gray, Professor Siladitya Bhattacharya (from August 2019), Miss Rachael Little, Councillor Douglas Lumsden, Mr John Tomlinson, Mrs Laura Gray (to 31 May 2019) and Miss Lesley Hall (from 1 June 2020).

3. Scope of Responsibility

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

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)¹ which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes have been in place throughout the financial year:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;

¹ The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, engagement and participation, staff governance, clinical governance, audit committee and from the Chair of the Endowment Trustees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters. In addition, senior leadership arrangements were strengthened during the year to provide additional capacity and support to the Chief Executive;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance including consultation with all stakeholders on service change proposals to inform decision making;

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the NHS Grampian Endowment Funds including a separate and distinct Chair of the Trustees, elected from within the body of the Trustees, an annual general meeting of all Trustees to agree all policy matters and an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

4. Purpose of the System of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process within the organisation accords with guidance from Scottish Ministers in the SPFM and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

4.1 Risk Management Arrangements

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

The Board have an agreed risk appetite statement focusing on the level of risk NHS Grampian is prepared to tolerate or accept in the pursuit of our strategic objectives. The Board have agreed that the appetite for risk will vary according to the activity undertaken.

The board implemented new risk management arrangements in April 2019 which continue to evolve. The period of transition is expected to run for another 12 months. The arrangements include the following:

- A risk management procedure which set out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action. A revised risk management procedure updated to reflect recent changes in our processes will be implemented during the summer of 2020;

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

- Regular risk management reporting including evidence of the effectiveness of risk management arrangements and arrangements to ensure lessons learned are fed back appropriately into the process. This is an area of continuous improvement for the Board, enhanced through implementation of the PAIR arrangements mentioned in the paragraph below;
- An established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit. A revised assurance framework was agreed by the Board in November 2019 as part of the action plan agreed following the Blueprint for Good Governance self-assessment process mentioned in section 5.1.2 below;
- Regular reviews of the strategic risk register by the Performance Governance Committee and System Leadership Team (SLT); The Board's strategic risk register is summarised on page 9 above. The strategic risk register also highlights the mitigation measures and controls that are in place to manage these risks;
- Risk Registers at the Strategic, Corporate and Sector level which set out the steps being taken to manage risks linked to delivery of strategic objectives, performance targets and key strategic projects. This is an area of continuous improvement for the Board;
- Regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level;
- Risks associated with information that we are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements;
- An IT web enabled system to facilitate the electronic recording, assessment and mitigation reporting of risks in line with our risk management plan; and
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

4.1.2 Performance, Assurance, Improvement and Risk (PAIR) process

Work has continued throughout the year to further develop the Board's risk management arrangements. The Performance, Assurance, Improvement and Risk (PAIR) process was implemented in April 2019 as a means of providing assurance on the key aspects of the Board's governance arrangements and management of strategic risks. Seven sub-groups of the System Leadership Team (SLT) were established against the seven identified organisational risks – Infrastructure, Compliance, Quality and Safety, Workforce, Innovation and Transformation, Collaborative Working and Engagement and Participation.

Each group has a Terms of Reference which identifies its scope of business and, collectively, the groups are designed to provide assurance to SLT and the Board that our "business" is being well conducted and well managed. The formation of these groups has strengthened the governance arrangements for the organisation and provides a clear and coherent approach to managing our corporate risks.

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

Each sub-group is aligned to a sub-committee of the Board as follows :-

Board Committee	SLT sub-group
Performance Governance	<ul style="list-style-type: none"> • Infrastructure • Sustainability (formerly Innovation and Transformation)
Audit	<ul style="list-style-type: none"> • Compliance
Clinical Governance	<ul style="list-style-type: none"> • Quality and Safety
Staff Governance	<ul style="list-style-type: none"> • Workforce
Engagement and Participation	<ul style="list-style-type: none"> • Involvement and Engagement • Collaboration

These arrangements were again reviewed at the Board Seminar in February 2020 and a number of actions aimed at strengthening the arrangements agreed as follows :-

- Each of the SLT sub-groups to produce assurance summaries on a two-monthly cycle for review and challenge by the SLT and thereafter to be presented at the relevant committee. A schedule for reporting was agreed but temporarily paused during the COVID-19 response phase
- The Terms of Reference of the Innovation and Transformation Group to be amended becoming the SUSTAINABILITY group with a focus on our future strategic planning. The existing expertise around the group will aid this aim and include the requirement for our future to draw on innovation and also to ensure we have clear delivery plans for our strategic intent.
- A revised and updated clinical strategy be developed for consideration by the Board by December 2021 ensuring that we have a clear described intent (at least 3-years forward) for the delivery of Board priorities.
- The budget setting process to be managed directly by SLT. SLT will continue to have a standing item of performance against budget which will coincide with the monthly finance reports. The regular SLT finance item will allow for appropriate cross-system discussion and awareness about the progress of the financial position set against the inclusive and SLT-wide agreed budget setting.

4.1.3 Clinical Risk Meetings

The Medical Director and the Nurse Director have continued with their weekly clinical risk meetings throughout the year. The purpose of these meetings is to discuss data collated over the previous 7 days with a view to identifying new clinical risks from across the whole system. This includes risks identified from adverse events, feedback, falls, and clinical emergency calls etc. This approach is intended to ensure that the organisation's operational units have early identification of new or increasing clinical risks, raising awareness of cross-system clinical risks and ensuring issues are appropriately classified, escalated and prioritised through system wide discussion and appropriately managed performance against National standards for example timely responses to adverse events and feedback. The output from this process is reported to each weekly meeting of the System Leadership Team.

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

5. Internal Control Matters

The organisation is committed to a process of continuous development and improvement, developing systems to address the key risks faced by the Board and in response to any relevant reviews and developments in best practice. The Audit Committee closely monitor progress against all high-risk actions arising from internal audit reports. In 2019/20 four high risk findings were identified, three relating to cyber security of medical devices and one relating to records management planning. The specific improvements implemented to meet these recommendations are covered below in section 5.7 Compliance.

In the period covering the year to 31 March 2020 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on page 9 above :-

5.1 Board Development and Governance

5.1.1 COVID-19 Pandemic

Following the declaration of COVID-19 as a worldwide pandemic the Board implemented our emergency planning arrangements during March 2020, overseen and guided via local and national operational, tactical and strategic response structures. In line with guidance from the Scottish Government, the Board agreed revised governance arrangements for the duration of the COVID-19 response and recovery period.

5.1.1 a) Board and Board sub committees

- To protect the health and wellbeing of anyone who would have attended the meeting, the Board did not convene its meetings in public during the period that preventative measures, including social distancing, were in place.
- All Board minutes and meeting papers did however continue to be made publicly available on the Board's website and following each meeting, the Chair made media available through the Board's communication channels to inform the public about matters discussed and agreed and to maintain important links with the public and community.
- All Board and Board sub-committee meetings were held via video conference.
- The agenda of formal monthly Board meetings was re-structured to provide assurance on the Staff, Clinical and Performance Governance aspects of our COVID-19 response and recovery.
- Standing orders were amended, to reflect the risk to attendance by prolonged absence as a result of the COVID-19 virus. Changes included a reduced quorum, the ability of voting members present to elect a Non-Executive member to act as chair for the duration of the meeting, should the Chair and Vice Chair both be unavailable and provision for verbal updates from members of the System leadership team at the discretion of the Chair.
- Between Board meetings a weekly high level status report and update on any guidance received from Government was circulated to Board members.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.1.1 a) Board and Board sub committees (cont)

- The Clinical Governance, Staff Governance and Performance Governance Committees continued to meet on a rotating weekly basis and provide a formal monthly update to each Board meeting. The Engagement and Participation and Spiritual Care Committees were paused to allow release of management time, with key relevant matters relating to the work of these Committees included on the Performance Governance Committee agenda.

5.1.1 b) Performance Governance

- During the COVID-19 response period the Scottish Government removed the requirement for Boards to meet national performance standards for some services.
- The Performance Governance Committee continued to meet on a monthly basis with a focus on overseeing the financial performance of the organisation.
- The senior finance team re-organised their workload to ensure provision of advice and support to enable budget holders to operate within an appropriate financial framework and to ensure that additional expenditure was only incurred where necessary and essential to the Board COVID response.
- Where it was not possible to follow normal financial governance arrangements e.g. due to non-availability of staff and/or remote working, and it was necessary to expedite authorisation of commitment, procurement or payment in support of the Board's COVID mobilisation plans, these matters were delegated to either the Deputy Director of Finance or the Assistant Director of Finance to ensure appropriate challenge.

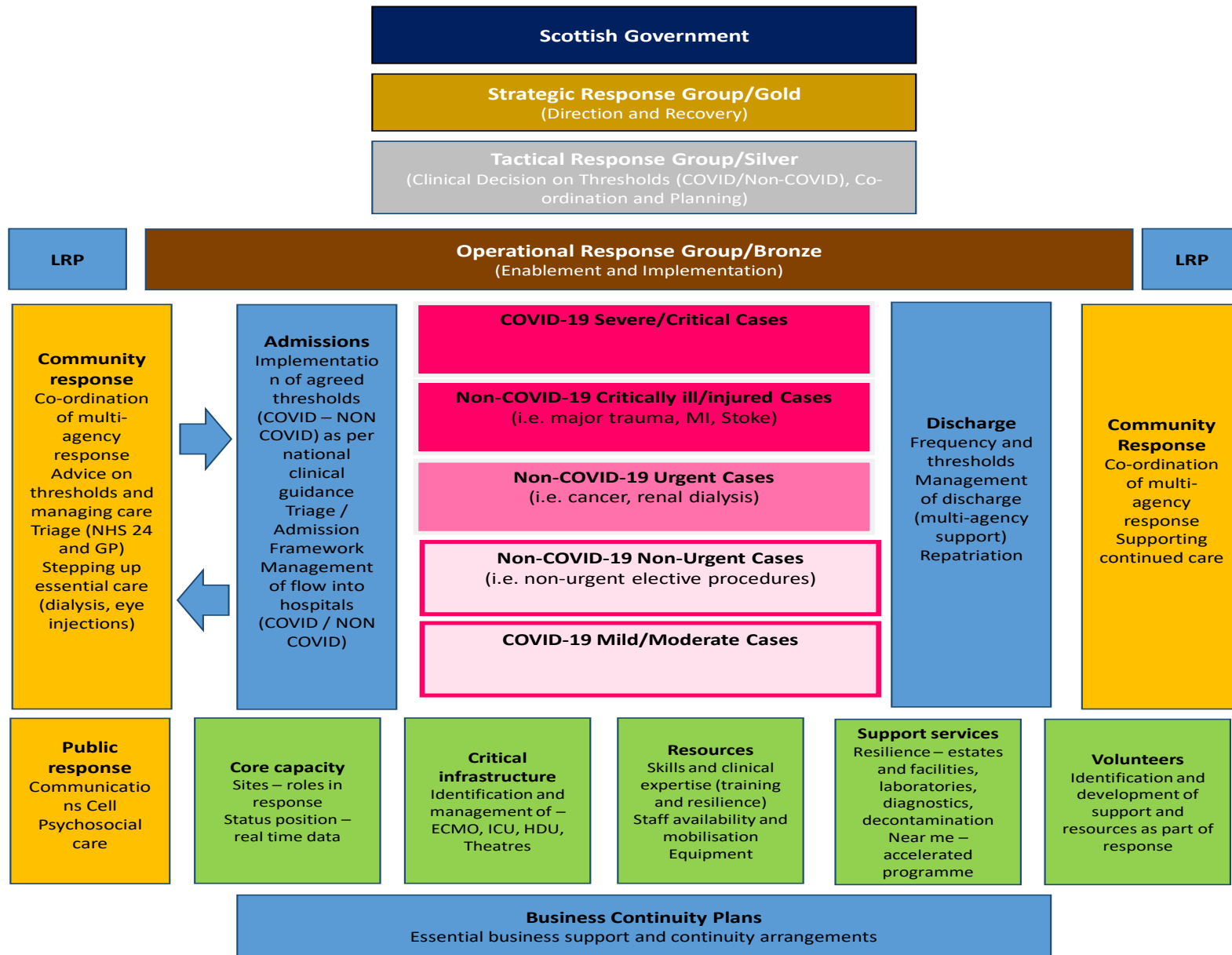
5.1.1 c) COVID-19 Mobilisation Plan

As part of our response we were required to quickly implement plans to appropriately respond to the changing needs of the population we serve in the management of spread and treatment of COVID-19 cases along with maintaining critical services for other non-COVID-19 population groups who require urgent and emergency care. The Plan was designed to support the following high-level stages of response:

- 1. Containment and Preparation**
- 2. Level 1 Response: Maximising Existing Capacity and Creating Space**
- 3. Level 2 Response: Reducing Low Clinical Risk Activity**
- 4. Level 3 Response: Changing the Threshold of Care**
- 5. Recovery**
- 6. Business Post COVID-19**

The Plan was jointly developed and informed by the local Major Infectious Disease Plan and operational and corporate sectors' Business Continuity Plans and Surge Plans within NHS Grampian, including the three Health and Social Care Partnerships (HSCPs) working with partners within the North East. The Plan also responds to NHS Grampian's role as a regional hub and includes linkage with our partners' mobilisation plans in the North of Scotland (NoS). This Plan also reflects the assumptions and joined-up response required between territorial Boards and the Scottish Ambulance Service (SAS) and NHS24.

Our cross-system plan is outlined pictorially below:



ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.1.1 d) Operational Management arrangements during COVID-19 response

A key component of the mobilisation plan outlined above, was a revised organisational command and control structure that operated throughout the COVID-19 response phase. This had three formal levels for direction and decision making as follows:-

- Gold Response Group, to provide strategic direction and co-ordinate the sourcing of support from the Local Resilience Partnership. Chaired by the Chief Executive and accountable directly to the Board;
- Silver Response Group, to co-ordinate the allocation of resources in line with agreed priorities, and provide tactical planning to identify and address emerging issues. This included ensuring appropriate decisions were made with respect to advice, commissioning and prioritising relevant 'task and finish' groups/cells and direction of the Board Control Centre (BCC). Chaired by the Medical Director and Executive Director of Nursing and accountable to the Chief Executive; and
- Bronze Response Groups, one for each operational area to provide advice to the Silver response Group and enable implementation of decisions and directions relating to commissioned work-streams. All Bronze level Accountable Officers are accountable to the Medical Director and Executive Director of Nursing.

5.1.1 e) Heightened Cyber Security and Fraud risks

Throughout the COVID-19 response and recovery period the Board have been cognisant of the heightened risk of fraud and the increased number of scams targeted at both individual members of the public and organisations such as NHS Grampian, providing essential services during these challenging times. The following enhanced arrangements have been introduced :-

- Our eHealth team implemented additional multi-tiered cyber security tools to provide better levels of protection at both the network border and endpoints and developed monthly Key Performance Indicators to check and act on vulnerabilities.
- Reminders were issued using the COVID daily briefing asking all staff to remain vigilant to the heightened risks.
- The weekly intelligence bulletin prepared by NHS Counter Fraud services summarising COVID-19 related fraud risks, from all available sources across the public sector, is distributed internally to members of the Board's Security Group.
- Where it was not possible to follow normal financial governance arrangements for procurement or payment in support of the Board's COVID mobilisation and recovery plans, these matters were delegated upwards to either the Deputy Director of Finance or the Assistant Director of Finance to ensure that key risk areas such as procurement without competition, payment in advance of need or payment to new suppliers were subject to appropriate challenge in terms of service risk/need, Value For Money, supplier track record, that the goods ordered actually existed and verification of supplier standing data such as bank details. Any requests for supplier relief under the Scottish Government procurement guidance were managed in the same way.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.1.1 f) COVID-19 recovery and remobilisation plans

On 27th May 2020 the Board submitted our remobilisation plan to the Scottish Government detailing how we intend to bring certain of our most critical services back into operation in the period to July 2020. The initial aspects of this plan are as follows :-

- Re-mobilise theatre capacity at Aberdeen Royal Infirmary to treat patients requiring urgent cancer surgery and for patients within our ESCAT Classification Category 1 (Patients where there is potential harm if treatment is not provided within four weeks of diagnosis). Additional theatre capacity will continue to be used at Albyn Hospital to increase resilience for the provision of cancer services.
- Community Hubs will continue to provide support in the assessment of patients and direction of these patients to the most appropriate location. These Hubs will be a key part of our whole system response, changing traditional delivery models and pathways from current practice and converting more unscheduled care activity to scheduled activity as part of Operation Home First, which is being rolled out across each of the Health and Social Care partnerships.
- The re-designation of major sites to meet the requirements of the first stage of the re-mobilisation plan. The main centre for managing the care of our most acute COVID-19 and Non-COVID-19 patients will remain Aberdeen Royal Infirmary. Woodend Hospital will act as the main centre for orthopaedic trauma surgery, with Royal Cornhill Hospital, Aberdeen Maternity Hospital and Royal Aberdeen Children's Hospital retaining their general planning assumptions.

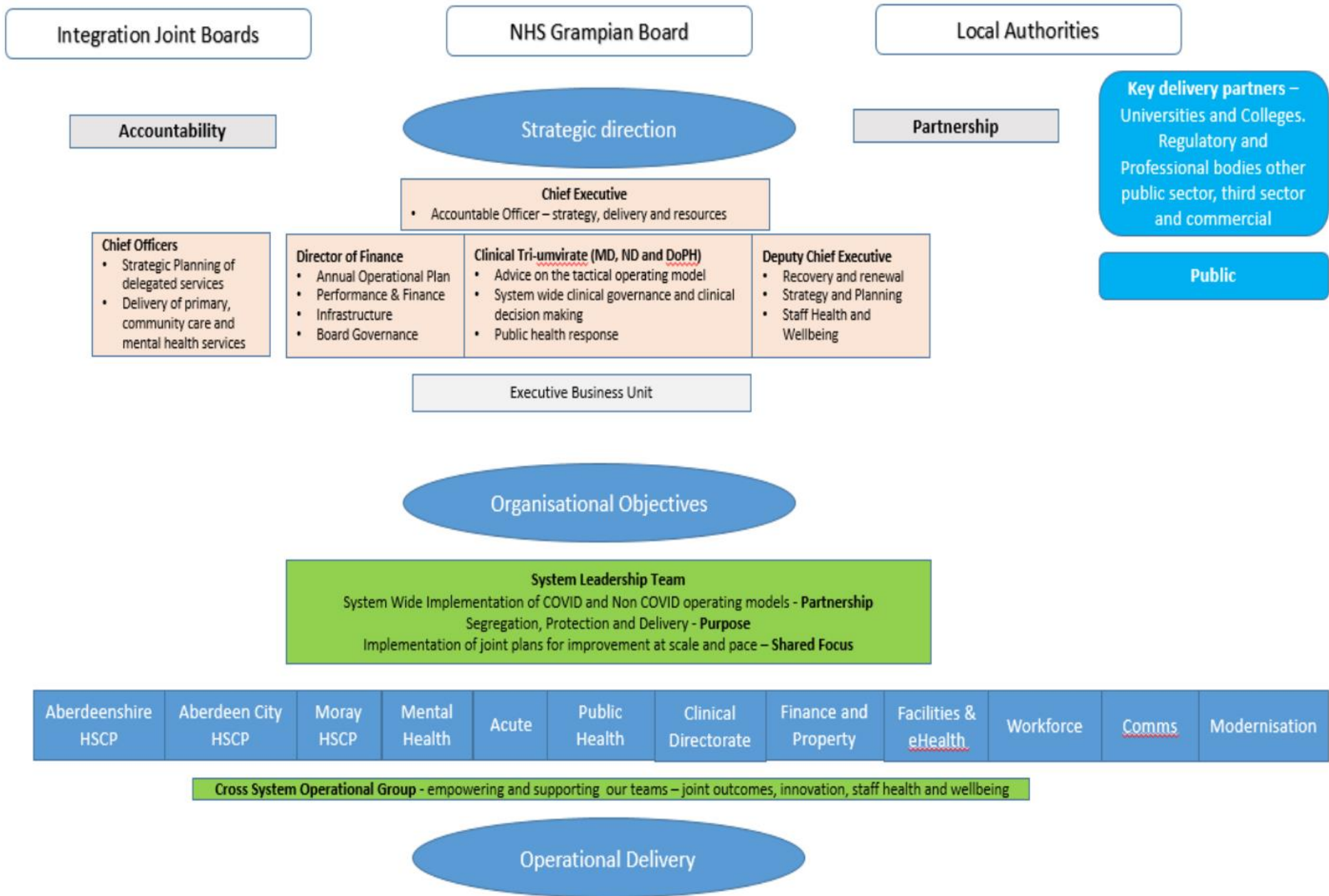
Thereafter, we have developed a detailed risk based assessment of all our services across Grampian and this forms the basis of decisions regarding changes in services as we finalise our plans to move through the phases of re-mobilisation in the period to 31 March 2021.

5.1.1 g) System Leadership

Our approach since the initial response to COVID-19 has been based on the fundamentals of a whole system response, partnership working across organisational boundaries with our key partners and continuous engagement with our Board, Grampian Area Partnership Forum, professional advisory structures and staff.

As set out above we implemented a revised organisational command and control structure that operated throughout the COVID-19 response phase and which replaced the system leadership arrangements that had been implemented throughout the remainder of the year. In addition to the Gold and Control arrangements within NHS Grampian, the Local Resilience Partnership was established and the North East System-wide Transformation Group (NESTG) comprising the three Local Authority Chief Executives, the NHS Chief Executive, three HSCP Chief Officers, the NHS Grampian Deputy Chief Executive and Director of Finance continued to meet on a regular basis. The Group has been established for a number of years and pre-COVID-19 was leading the whole system transformation of delegated services.

The organogram below sets out the high level accountability and cross-system leadership structures at strategic, tactical and operational levels.



ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.1.2 Other matters affecting Board Development and Governance

- The Board and the Audit Committee received regular updates on progress against the areas for improvement identified as part of the Board's self-assessment against the **five functions** of governance described in the Scottish Governments "*Blueprint for Good Governance*" model. Key actions completed during the year include :-
 - The Board agreed a revised assurance framework in November 2019, ensuring that there are clear links between the governance responsibilities of the Board, the role of the Board's advisory structure, the lines of accountability across the management team and the assurance activities of the committees of the Board;
 - Implementation of the P(erformance), A(ssurance), I(mprovement) and R(isk) framework ensuring clear coordination of performance, assurance, improvement and risk activities with the SLT having an oversight of the process and all strategic issues which emerge from the process;
 - Assurance reports from each of the Board Committees will be considered earlier in the Board agenda and the format of the assurance reports from each of the sub-committees has been updated to support an informed discussion;
 - The Board have delegated responsibility for monitoring implementation of key strategic plans formally approved through the Board, to the Performance Governance Committee;
 - The Board seminar programme has been amended to enable the Non-Executive Board members to meet at the start of each seminar
- All Board Executive and Non-Executive directors have a formal annual appraisal, a key element of which is identification of the personal development requirements of each individual for the following 12 months. In addition, the Board has a bi-monthly seminar which is topic focused and designed to support joint working in key areas linked to the Board's overall strategy.
- Our programme of system leadership development ensures that staff across NHS Grampian are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance.
- Continuation of arrangements for the Board's corporate register of interests including regular reminders to all staff on process.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.2 Quality and Safety of Care

- Arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019, which is primarily focused on ensuring that we are resourced to deliver safe and effective care, will be overseen by the Quality and Safety PAIR sub-group of SLT, with a reporting line to the Clinical Governance Committee. This work will also be supported by the Workforce and Sustainability PAIR subgroups and a reporting method is in place to ensure the Staff Governance Committee are also properly engaged in the process.
- Continuation of the action plan, under the guidance of a multi-disciplinary Health and Safety expert group, relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations from several improvement notices served on the Board following visits in prior years by the Health and Safety Executive and Environmental Health Services.
- Continued progress with the programme of ligature reduction works in all acute mental health admission wards, under the oversight of a dedicated programme Board following an improvement notice served by the Health and Safety Executive in October 2017. Further inspections by the HSE have underlined the importance of completing this programme of work on schedule and prompted the Board to agree a further programme of works in other mental health wards and departments assessed as high risk and where this work can be done without significant disruption to the patients occupying the ward.
- In July 2018, in order to address the ongoing risks due to the difficulty recruiting and retaining permanent medical staff, it was necessary to reconfigure the provision of Paediatric and Maternity Services at Dr Gray's Hospital in Elgin (DGH). This involved aspects of the service, which required specialist intervention, transferring to the Aberdeen Maternity Hospital. Since then, the Board have been working, in consultation with local staff, the public, specialist advisors and Scottish Government to develop a sustainable revised model of care in order to ensure safe services through a single system of risk management, whilst maintaining as much care locally as possible.
 - As an additional source of assurance and recognising the heightening clinical safety concerns both locally and nationally, the Board agreed to commission an externally led review of safety in the DGH Maternity service. The findings from this review concluded that where there was no evidence of a trend in adverse outcomes for patients of the DGH Maternity service there were some potential safety concerns with the proposed model of care and improvement was required in supporting clinical governance and working relationships across the service. The full report is available at the following link <http://www.nhsgrampian.org/>
 - The outcome from this review has been used to inform and update the Boards plans for the redesign of the service and a revised action plan will be considered for approval by the Board later in 2020. This will complement the development of a new integrated NHS Grampian and NHS Highland joint Maternity Services Plan, overseen by the Chief Executives of NHS Grampian and NHS Highland.

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

5.3 BREXIT

- The Board has established a BREXIT co-ordination group comprising the Director of Finance, Director of Facilities and Estates, Interim Director of Human Resources and Director of Pharmacy who provide oversight and co-ordination of the Board's arrangements to manage the risks associated with withdrawal from the EU.
- Risk mitigation measures are in place at UK Government, Scottish Government and local NHS Grampian level with regard to availability and supply of medicines, procurement and availability of other essential supplies and the availability of workforce.

The position at 31 March 2020 can be summarised as follows :

➤ Workforce

- The Cabinet Secretary for Health and Sport wrote directly to all EU/EEA staff working in the health and social care sectors in Scotland on 20 December 2018 to reassure these citizens.
- A national survey was implemented within NHS Grampian with 273 completed responses, representing 24/30 EU countries. The overall number of EU nationals employed by NHS Grampian is not known.
- The current approach is focused on providing support to staff who are seeking advice regarding their status. The UK Government announced that EU Nationals will no longer be charged £65 to apply for 'settled status'.
- One area where the North East maybe more impacted than the rest of Scotland is in relation to care staff where intelligence would indicate that there is a higher percentage of EU nationals employed in this sector within Grampian.

➤ Medicines

- UK Government has requested the pharmaceutical industry to increase stock within the UK for those medicines with an EU touchpoint to provide an additional six weeks of stock over normal. Where this is not possible for a small number of medicines UK Government have instigated other mitigation e.g. approached other manufacturers to make up the shortfall.
- The Department of Health is working with the Department of Transport and with manufacturers to determine supply routes (e.g. air freight, prioritised customs traffic) and alternative routes for time sensitive medicinal products such as radiopharmaceuticals.
- UK Government has laid legislation to allow more flexibility / discretion should shortages arise to allow community pharmacists to amend prescriptions within strict national protocols.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.3 BREXIT (cont)

- Procurement
 - An NHS Scotland triage service will be setup by National Procurement to provide a route into the UK Department of Health's National Supply Disruption Response centre if all supply options have been followed and exhausted. This will enable NHS Scotland to request access to alternative supply routes which have been setup by the UK Government.
 - The UK Department of Health has secured warehouse facilities to hold stock of about 30% of the key supply lines used in the Scottish health service.
 - A dedicated shipment channel has also been established in Belgium to act as a hub for the shipment of health supplies.
 - The National Distribution Centre (hosted by NHS National Services Scotland) are progressing a phased purchase of a c75% of the remaining items not held at a UK level. The phased increase in stocks held within its National Distribution Centre will be between 4 and 8 weeks of stock based on historical demands.

5.4 Infrastructure

- Enhanced monitoring arrangements for our capital and infrastructure projects to address the impact of COVID-19 on design, programme and cost including an assessment of social distancing and other health and safety considerations for both on-site and off-site construction, supply chain resilience and the availability of labour and materials.
- Governance arrangements for our major capital projects now include the requirement for an independent external design review following recent learning from other large health sector projects.
- Regular updates to the Audit Committee, continued throughout the year, on progress against the key risks highlighted in the cyber security of medical devices audit report.
- The Audit Committee receive an annual update on progress against the backlog maintenance plan.

5.5 Innovation and Transformation

- Formal governance arrangements in line with the Prince2 methodology are in place to ensure the co-ordination and delivery of the multiple projects that constitute the Electronic Patient Record programme, a critical technological step for the Board towards our objective of reducing dependency on paper medical records. In addition to improving access and security of the records, enabling the conversion of medical records from paper into an electronic form significantly reduces the risk of damage to the records due to flood or fire and reduces the fire risk for those buildings where records are held.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.5 Innovation and Transformation (cont)

- During 2016/17 all records previously stored at Spynie Hospital were converted into electronic form. In March 2018, we completed the transfer of all physical records previously held in the basement of Phase 2 at Aberdeen Royal Infirmary (ARI), into a new purpose-built records storage and scanning facility located in the warehouse building at Foresterhill. Medical Records for all new patients using ARI, are now either held electronically from the outset or retrospectively scanned using our new facility. Work continues to scan all existing records for patients at ARI and Aberdeen Maternity Hospital into electronic form.

5.6 Workforce

- The Acute Senior Leadership Team continue to closely manage the engagement process relating to agency medical and nursing staff. This includes scrutiny of the justification for all agency staffing requests.
- Following identification of a suspected locum fraud in January 2016, the Board implemented a number of improvements to our internal controls including the procurement of an electronic time scheduling and billing system for locum medical staff. We have commissioned NHS Counter Fraud services to provide additional assurance on our revised arrangements, with particular focus on where the Board's processes for selection, rostering, authorisation and payment may remain susceptible to fraud. Initial fieldwork is nearing completion and we expect the initial draft report in summer 2020.
- At the request of the Medical Director a parallel review by our internal auditors is considering the arrangements that exist within external agencies to provide assurance of the effectiveness of for pre-employment checks on staffing put forward to fulfil temporary engagements with the Board.
- Recruitment of staff in clinical roles remains a key challenge, with continuing pressures around recruitment into Senior Medical roles and in critical skilled nursing and clinical support roles, for example, theatre nursing. Throughout the year the Board continued to apply, in partnership, robust vacancy management processes to ensure staff were deployed to the areas of greatest need.
- The need to respond quickly to the recent COVID-19 pandemic has created an opportunity to accelerate recruitment efforts through a range of government sponsored initiatives aimed at fast tracking recruitment of clinical staff returning to the health service and also to facilitate employment of student nurses and doctors early during the final stages of their training in order to enhance the available workforce.

The staffing report on page 55 provides more detail on the various recruitment initiatives underway.

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

5.7 Compliance

The Audit Committee received briefings during the year on the following key risk areas highlighted in recent audit reviews:-

- Ongoing action to address the requirements of the General Data Protection Regulations, which took effect on 25 May 2018, including an associated training and communications plan, a data inventory and assigned ownership of information assets.
- A dedicated system wide distribution service to improve the security of prescription documentation was implemented on 1 April 2019.
- A new Records Manager was successfully recruited during the year and a revised action plan to meet the requirements of the Board's Records Management Plan, including timelines for responses to the keepers recommendations, is now in place. The Board has committed to a voluntary progress update review with National Records of Scotland during 2020.
- Establishment of an information security group to co-ordinate all cyber security matters including those relating to medical devices. The group reports through the Board's Security Group to the System Leadership Team and the Performance Governance Committee and is responsible for the following actions :-
 - Review existing cyber security policies and procedures, including access management controls, threat and vulnerability and patch management, to ensure that the arrangements for cyber security of medical devices, including roles and responsibilities, are appropriately reflected in extant guidance for the service.
 - Develop procedures to ensure the periodic review of cyber security risks, including those identified for medical devices, reported in the Board's risk management system (Datix), and that, where appropriate, this information is reconciled to equipment asset registers.
 - Working closely with key stakeholders such as Information Security, Information Governance and Procurement teams, develop local guidance for the incorporation of Information Security requirements within the procurement specification and tender process.
 - Implement a formal reporting process where designated service leads will be required to provide assurance regarding compliance with cyber security guidance within their designated area.
 - Develop plans for periodic penetration testing of medical device security.
- Ongoing action by the Board's Medical Equipment Management Service to co-ordinate the capture of all medical equipment assets across NHS Grampian on the Board's equipment asset register, including relevant cyber security information.

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

5.7 Compliance (cont)

- The 2019/20 service audit reports for Practitioner Services and National IT services prepared by independent auditors for NHS National Services Scotland (NSS) resulted in a qualified opinion.
 - A qualification in a service audit report relates to the design or operating effectiveness of controls in order to meet the stated control objectives rather than indicating that the underlying transactions are necessarily incorrectly processed. An adverse opinion would occur where controls were absent or failed. Considering the content of the reports in detail therefore, the Board has accepted the assurances provided by the NSS Audit Committee, that the findings were consistent with the prior year and that each point raised within the reports will be addressed as part of its continuous improvement programme of work.
 - In line with Scottish Government payment verification protocols, board staff regularly meet with NHS NSS Practitioner Services staff to review payments to independent family health services practitioners, to undertake a programme of practice visits, and, where appropriate, to carry out follow up action in response to those visits. Quarterly data packs including financial and trend data are provided by NHS NSS Practitioner Services to the board in respect of each of the four payment streams (medical, dental, ophthalmic and pharmacy) and these form the basis of local verification activity.
 - The Board's Audit Committee has also recently considered a report on the local review processes in place with regards to verification of payments. With no significant issues arising in 2019/20, this provided further assurance that all payment streams to Independent Contractors providing family health services are subject to regular and consistent review throughout the year.
 - The Board's Audit Committee have requested that the Finance Director arrange regular updates on progress against the agreed management action plan from NSS during 2020.

5.8 Involvement and Engagement

- Through liaison with the North East Partnership Steering Group (NEPSG), the Board continue to progress agreement on a consistent vision and values aimed at ensuring a consistent message in all communication between clinical staff, service users and their carers.
- The Board's assurance framework was updated in November 2019 to recognise the role of staff side and the advisory structure in supporting the work of Board sub committees and to clarify the role and importance of the Engagement and Participation Committee as a core governance committee of the Board.

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

5.9 Collaborative Working

- Agreement to share, reciprocally, all relevant internal audit reports with the Audit Committees of the IJBs and partner organisations, and where appropriate, to co-ordinate internal audit activity across sectors. In line with this principle NHS Grampian's internal audit programme for 2019/20 included dedicated audit time in support of Health and Social Care Integration activities with the scope agreed jointly by the three IJB Chief Officers.

6.0 Best Value

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

7.0 Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by the Board's external auditor and the external auditors of the NHS Grampian Endowment Funds;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports from Health Improvement Scotland and other inspection agencies;
- Transparent reporting and analysis of the Board's financial performance through the Performance Governance Committee and System Leadership Team, including the extent to which the Board is reliant on non-recurring sources of funding to achieve our financial targets;
- A formal update to the Board and an annual briefing to the Audit Committee on progress against the backlog maintenance implementation plan aimed at reducing high risk backlog maintenance in clinical areas and compliance with climate change legislation; and

ACCOUNTABILITY REPORT (cont)

a) CORPORATE GOVERNANCE REPORT (cont)

iv) GOVERNANCE STATEMENT (cont)

7.0 Review of Adequacy and Effectiveness (cont)

- Board members also participated in review of current Board and Committee structures building on the actions agreed following the previous self-assessment against the **five functions** of governance described in the Scottish Government's "*Blueprint for Good Governance*" model (see section 5.1.2 above for further detail).

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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- An external review of the effectiveness of internal audit arrangements by the Chartered Institute of Internal Auditors (CIIA) found that NHS Grampian met, in full, 58 out of the 64 applicable standards with no immediate concerns or weaknesses;
- Assurance from the External Auditor of the NHS Grampian Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment Funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

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

8. Disclosures

Based on the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Grampian and group, I am not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

All information disclosed within the tables in the Remuneration and Staff Report is audited by the Board's External Auditor. The other sections in the Remuneration and Staff Report are reviewed by the External Auditor to ensure they are consistent with the financial statements.

i) THE REMUNERATION REPORT

Remuneration of Executive and Non-Executive Members

The total remuneration disclosed on pages 52 to 54 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

Board Members' Contracts of Employment

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS(ESM) 2019/2.

Assessment of Performance

The performance assessment process for the Executive and Senior Management Cohort is in accordance with PCS (ESM) 2019/1. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of Grampian Health Board in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members following review by the Chief Executive and Chair is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chair. For Non-Executive members, the process is also undertaken by the Chair and written evidence is submitted to the Cabinet Secretary for Health and Wellbeing. The progression of the Executive and Senior Management Cohort through the pay range is subject to, as a minimum, the fully acceptable performance of the individual. A National Performance Management Committee as detailed in PCS (ESM) 2019/1 ensures, on behalf of the Scottish Government, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives subject to Ministerial Direction.

Remuneration Committee

The Remuneration Committee ensures that arrangements are in place to comply with NHS Grampian policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment and for approving the personal objectives of all Executive Directors and Senior Managers.

Further information including membership of the Remuneration Committee, is included in the Governance Statement on page 29 above.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
i) THE REMUNERATION REPORT (cont)

Relationship between the highest paid Director and the workforce median remuneration

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

2019-20	2019-20	2018-19
Range of Staff Remuneration (£000's)	18-461	17-454
Highest Earning Director's Total Remuneration (£000s)	200-205	190-195
Median Total Remuneration (£)	31,384	30,820
Ratio	6.52	6.20

All staff earning below £80,000 received a 2.8% cost of living uplift in pay during 2019/20 and staff earning above that amount received a flat increase of £1,600. This is the main reason for the increase in median pay.

The ratio of 6.52 has increased slightly over the prior year. This is due to the highest paid director, the Medical Director, receiving, in line with PCS (DD) 2019/20 an incremental rise during 2019/20.

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REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2020

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2019/20.

Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2019/20 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2020 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2020 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/19	Cash Equivalent Transfer Value (CETV) at 31/3/20	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Remuneration of:														
Executive Members														
Professor Amanda Croft	a	150-155	0	0.0	150-155	115	265-270	50-55	5-7.5	150-155	15-17.5	963	1,105	128
Professor Nick Fluck		200-205	0	0.0	200-205	0	200-205	55-60	0	175-180	0	1,265	1,294	29
Mr Alan Gray	b	125-130	0	5.4	130-135	36	165-170	25-30	2.5-5	0	0	321	370	49
Dr Caroline Hiscox	c	100-105	0	0.0	100-105	37	135-140	25-30	0-2.5	50-55	0-2.5	390	429	39
Mrs Susan Webb	d	80-85	0	0.0	80-85	36	115-120	45-50	2.5-5	105-110	0-2.5	826	890	64
Non Executive Members														
Chair - Professor Lynda Lynch		35-40	0	0	35-40	N/A	35-40	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson	g	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Sitaditya Bhattacharya (from 1 July 2019)	h	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Kim Cruttenden	e	90-95	0	0	90-95	23	110-115	15-20	0-2.5	35-40	0-2.5	262	285	23
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Albert Donald (from 1 February 2020)	i	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joyce Duncan	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Luan Grugeon	g	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miss Rachael Little	f/g	60-65	0	0	60-65	16	75-80	10-15	0-2.5	0	0	117	128	11
Councillor Douglas Lumdsen		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Shona Morrison		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jonathan Passmore	g	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Sandy Riddell	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Dennis Robertson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John Tomlinson	g	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SENIOR EMPLOYEES														
Dr Adam Coldwells (from 28 October 2020)	j	55-60	0	0	55-60	19	75-80	45-50	2.5-5	105-110	0-2.5	810	871	61

NOTES :

- a) Professor Amanda Croft was the accountable officer for NHS Grampian throughout 2019/20. First as Interim Chief Executive and then following her permanent appointment as Chief Executive from 12th April 2019.
- b) During the period 1 April 2019 to 30 June 2019 Mr Alan Gray was Director of Finance for both NHS Grampian and NHS Tayside. Both roles were performed as an employee of NHS Grampian and 45% of Mr Grays salary for the period 1 April 2019 to 30 June 2019 was recharged to NHS Tayside. The remuneration disclosed above represents the 55% of cost met by NHS Grampian for the period 1 April 2019 to 30 June 2019 and 100% of cost from 1 July 2019 when Mr Gray reverted to a full time role as Director of Finance for NHS Grampian. The disclosed pension figures relate to service accrued in both his NHS Grampian and NHS Tayside roles and includes additional years purchased at his own personal cost.
- c) Dr Caroline Hiscox was appointed Executive Nurse Director on 24 September 2019. Prior to this, Dr Hiscox was seconded in to the role on an acting basis.
- d) Mrs Susan Webb was Director of Public Health for both NHS Grampian and NHS Shetland. Both roles were performed as an employee of NHS Grampian and 26% of Mrs Webb's salary was recharged to NHS Shetland under a Service Level Agreement between the two Boards. The remuneration disclosed above represents the 74% of cost met by NHS Grampian during 2019/20. The disclosed pension figures relate to service accrued in both NHS Grampian and NHS Shetland roles and includes additional years purchased at her own personal cost.
- e) The remuneration disclosure for Ms Kim Cruttenden includes total earnings both in her role as a Senior Clinical Pharmacist with NHS Grampian and for her additional duties as an NHS Board member.
- f) Miss Rachael Little worked in a full time capacity as Employee Director of NHS Grampian.
- g) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.
- h) Professor Sitaditya Bhattacharya was appointed to the Board on 1 July 2019. His full year equivalent salary was in the range £5k-£10k.
- i) Mr Albert Donald was appointed to the Board on 1 February 2020. His full year equivalent salary was in the range £5k-£10k
- j) Dr Adam Coldwells was seconded to the post of Director of Strategy and Deputy Chief Executive on 28 October 2019. The earnings figure disclosed above relates to the period 28 October 2019 to 31 March 2020. The full year equivalent salary is in the range £130k - £135k.

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REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2019

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2018/19.

	Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2018/19 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2019 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2019 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/18	Cash Equivalent Transfer Value (CETV) at 31/3/19	Real increase in CETV in year
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Remuneration of:														
Executive Members														
Professor Amanda Croft	a	115-120	0	0.0	115-120	159	275-300	45-50	7.5-10	135-140	22.5-25	769	947	160
Professor Nick Fluck		190-195	0	1.0	190-195	0	190-195	55-60	0	170-175	0	1,216	1,244	28
Mr Alan Gray	b	75-80	0	2.5	75-80	30	105-110	20-25	2.5-5	0	0	256	316	35
Mrs Susan Webb (Restated)	c	75-80	0	0.0	75-80	28	100-155	40-45	2.5-5	100-105	0-2.5	758	812	38
Mr Malcolm Wright (to 31 August 2018)	d	35-40	0	0.0	35-40	26	60-65	85-90	2.5-5	265-270	10-12.5	2,069	2,165	85
Non Executive Members														
Chair - Professor Stephen Logan (to 31 December 2018)	l	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chair - Dr Lynda Lynch (Chair from 1 January 2019)	e/k	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Christine Lester (to 31 October 2018)	k/m	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson (Vice Chair from 1 November 2018)	f/k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dame Anne Begg (to 31 December 2018)	k/n	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Frank Brown (to 11 September 2018)	o	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Kim Cruttenden (from 1 October 2018)	g	40-45	0	0	40-45	24	60-65	15-20	0-2.5	35-40	0-2.5	235	258	13
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joyce Duncan (from 1 November 2018)	k/p	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Sharon Duncan (to 31 August 2018)	h/k	30-35	0	0	30-35	-11	20-25	35-40	0	105-110	0	813	825	9
Mrs Luan Grugeon	k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Steven Heys (to 11 March 2019)	q	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miss Rachael Little (from 1 September 2018)	i/k	35-40	0	0	35-40	17	50-55	10-15	0-2.5	0	0	104	115	7
Councillor Douglas Lumsden		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Helen Moffat (to 30 September 2018)	j	30-35	0	0	30-35	16	45-50	15-20	0-2.5	30-35	0-2.5	241	262	12
Councillor Shona Morrison (from 12 September 2018)	r	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jonathan Passmore	k	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Sandy Riddell (from 1 November 2018)	k/s	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Dennis Robertson (from 1 February 2019)	t	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair (to 31 December 2018)	k/u	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John Tomlinson (from 1 February 2019)	v	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2019

NOTES :

- a) Professor Amanda Croft was appointed Acting Chief Executive on 9th April 2018 (during this period Mr Wright remained accountable officer) and then Interim Chief Executive on 1st September 2018, when she assumed the accountable officer role for NHS Grampian. The remuneration disclosed includes an additional responsibility allowance for these extra duties. Professor Croft's substantive role was Director of Nursing, Midwifery and Allied Health Professions throughout this period.
- b) Mr Alan Gray was appointed Director of Finance for NHS Tayside on 1 June 2018 in addition to his role as Director of Finance for NHS Grampian. Prior to this date Mr Gray provided enhanced support to NHS Tayside as part of his role as Regional Finance Lead for the North of Scotland. The level of remuneration received by Mr Gray during the year reflects this additional responsibility. During the year he performed these roles as an employee of NHS Grampian. For the period 1st April 2018 to 31 March 2019 NHS Grampian recharged 45% of Mr Gray's salary to NHS Tayside. The remuneration disclosed above represents the 55% of cost met by NHS Grampian. The disclosed pension figures relate to service accrued in both his NHS Grampian and NHS Tayside roles and includes additional years purchased at his own personal cost.
- c) The disclosed salary and value of pension benefits figures for Mrs Susan Webb have been restated to reflect her additional role as Director of Public Health for both NHS Grampian and NHS Shetland during 2018/19. Both roles were performed as an employee of NHS Grampian and 27% of Mrs Webb's salary was recharged to NHS Shetland under a Service Level Agreement between the two Boards. The remuneration disclosed above represents the 73% of cost met by NHS Grampian during 2018/19. The disclosed pension figures relate to service accrued in both NHS Grampian and NHS Shetland roles and includes additional years purchased at her own personal cost. The disclosed pension benefit includes additional years purchased at her own personal cost.
- d) Mr Malcolm Wright was appointed Chief Executive for NHS Tayside on 11th April 2018 in addition to his role as Chief Executive of NHS Grampian and Regional Implementation Lead for the North of Scotland. The level of remuneration received by Mr Wright reflects this additional responsibility. During the period 1 April 2018 to 31 August 2018 he remained an employee of NHS Grampian and 65% of his salary was recharged to NHS Tayside under a cost sharing arrangement. The remuneration disclosed above represents the 35% of cost met by NHS Grampian. The NHS Grampian share of his full year equivalent salary was in the range £85k - £90k. The pension figures disclosed above relate to service accrued in all of his NHS roles and is the value at 27/8/18 when he left the NHS pension scheme.
- e) Dr Lynda Lynch was appointed Chair of NHS Grampian on 1 January 2019. Prior to this Dr Lynch was a Non Executive Member of NHS Grampian.
- f) Mrs Rhona Atkinson was appointed Vice Chair of NHS Grampian on 1 November 2018, in addition to her role as a Non Executive Member of NHS Grampian .
- g) Ms Kim Cruttenden was appointed to the Board on 1 October 2018. The remuneration disclosure includes total earnings both in her role as a Pharmacist with NHS Grampian and for her additional duties as an NHS Board member. Her full year equivalent salary was in the range £80k - £85k.
- h) Mrs Sharon Duncan worked in a full time capacity as Employee Director of NHS Grampian. She resigned from the Board on 31 August 2018. Her full year equivalent salary was in the range £80k - £85k.
- i) Miss Rachael Little was appointed to the Board on 1 September 2018 and worked in a full time capacity as Employee Director of NHS Grampian. Her full year equivalent salary was in the range £60k - £65k.
- j) Dr Helen Moffat resigned from the Board on 30 September 2018. The remuneration disclosure includes total earnings both in her part time role as a Clinical Psychologist with NHS Grampian and for her additional duties as an NHS Board member. Her full year equivalent salary was in the range £65k - £70k.
- k) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.
- l) Professor Stephen Logan resigned from the Board on 31 December 2018. His full year equivalent salary was in the range £30k-£35k.
- m) Mrs Christine Lester resigned from the Board on 31 October 2018. Her full year equivalent salary was in the range £25k-£30k.
- n) Dame Anne Begg resigned from the Board on 31 December 2018. Her full year equivalent salary was in the range £15k-£20k.
- o) Councillor Frank Brown resigned from the Board on 11 September 2018. His full year equivalent salary was in the range £5k-£10k.
- p) Ms Joyce Duncan was appointed to the Board on 1 November 2018. Her full year equivalent salary was in the range £15k-£20k.
- q) Professor Steven Heys was an employee of the University of Aberdeen, School of Medicine and Dentistry. The remuneration disclosed above represents the fee paid to the University with regard to his duties as a non executive member. Professor Heys resigned from the Board on 11 March 2019. The full year equivalent fee payable was in the range £5k-£10k.
- r) Councillor Shona Morrison was appointed to the Board on 12 September 2018. Her full year equivalent salary was in the range £5k-£10k.
- s) Mr Sandy Riddell was appointed to the Board on 1 November 2018. His full year equivalent salary was in the range £15k-£20k.
- t) Mr Dennis Robertson was appointed to the Board on 1 February 2019. His full year equivalent salary was in the range £5k-£10k.
- u) Mr Eric Sinclair resigned from the Board on 31 December 2018. His full year equivalent salary was in the range £15k-£20k.
- v) Mr John Tomlinson was appointed to the Board on 1 February 2019. His full year equivalent salary was in the range £5k-£10k.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

1. Staff Governance

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

We continue to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps as we redesign our clinical service delivery and to support leadership development in our workforce.

2. The Workforce

The Board operates, in partnership, a robust vacancy management, recruitment and redeployment process to ensure staff are deployed to the areas of greatest need. Through this process we have enabled an increase in the average number of doctors, nurses and allied health professionals during the year but recruitment of skilled clinical professionals in certain areas for example Mental Health, Midwifery, Radiography and Theatre nursing remains a key challenge. There also remain continuing pressures around recruitment into Medical roles and in other critical clinical and clinical support professions.

Recruitment efforts continued throughout the year, in partnership with our Trade Unions and Professional Organisations, building on well-developed links with the education sector and with other North of Scotland NHS Boards to attract and retain suitably skilled professionals to Grampian. The need to respond quickly to the recent COVID-19 pandemic however created an opportunity to accelerate recruitment efforts through a range of government sponsored initiatives aimed at fast tracking recruitment of clinical staff returning to the health service and also to facilitate employment of student nurses and doctors early during the final stages of their training in order to enhance the available workforce. At the end of May 2020 NHS Grampian had successfully employed an additional 111 returning professionals through the fast track scheme, 746 Medical, Nursing and Midwifery students, 96 junior doctors and 29 fourth year nursing students to enhance our clinical workforce. A further 176 domestic and portering staff and 72 Health and Community Social Work assistants were also recruited.

The use of agency medical, nursing and Allied Health Professional staffing has remained at a high level throughout the year, necessary in order to cover critical roles to meet our demand and capacity challenges and ensure a safe and effective service. The effective deployment of the recent enhancement to our workforce and the potential to reduce the use of very expensive and often less effective temporary agency staffing is a key area of focus for the Board in 2020/21.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

The following table summarises total staff costs and numbers for 2019/20 and the prior year:

STAFF COSTS	Notes	Executive Board Members £000's	Non Executive Board Members £000's	Permanent Staff £000's	Inward Secondees £000's	Other Staff £000's	Outward Secondees £000's	2019/20 Total £000's	2018/19 Total £000's
Salaries and wages	c	643	397	539,912	0	0	0	540,952	503,476
Taxation & Social Security costs		84	36	52,728	0	0	0	52,848	51,957
NHS scheme employers' costs	a	80	25	93,098	0	0	0	93,203	63,083
Secondees	c	0	0	0	3,895	0	(43,729)	(39,834)	(28,875)
Agency staff		0	0	0	0	33,326	0	33,326	26,033
TOTAL		807	458	685,738	3,895	33,326	(43,729)	680,495	615,674
Compensation for loss of office		0	0	51	0	0	0	51	25
TOTAL STAFF COSTS	b	807	458	685,789	3,895	33,326	(43,729)	680,546	615,699

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 186 137

STAFF NUMBERS	Average W.T.E	Average W.T.E
Whole time equivalent (WTE)	13,294	12,952

Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: 3 2

Included in the total staff numbers above were staff with a disability : 47 50

Note :

a) Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. The increase in NHS scheme employer costs reflects the change in employer superannuation contribution rates to 20.9% in 2019/20 from 14.9% in 2018/19 following the most recent funding valuation undertaken by the scheme actuary. The NHS Superannuation scheme is explained in more detail in note 18.

b) Reconciliation of total staff costs to Note 3 Operating Expenditure :

Total employee expenditure disclosed in Note 3 operating Expenditure	724,089	647,221
Deduct outward secondees	(43,729)	(31,659)
Add salaries charged to capital expenditure	186	137

Total staff costs disclosed above **680,546** **615,699**

Total employee expenditure increased by £77 million partly due to the impact of the annual pay uplift (£22.5 million) and an increase in employer superannuation contribution rates (£30 million) and partly to the increased costs of additional staffing employed throughout the year in order to maintain safe and effective staffing levels. Expenditure on temporary agency staff increased by £7 million and £12 million related to the transfer of responsibility for Doctors in training from NHS National Education Scotland to NHS Grampian.

c) The presentation of prior year staff costs has been restated to transfer income from secondees of £31.659 million, previously shown against the cost of salaries and wages, to a separate line for secondees and also to show the cost of compensation for loss of office (£0.025 million) as a separate line. The impact of this adjustment is to increase salaries and wages to £503.476 million (previously £471.842 million) and to show a net credit of £28.875 million against Secondees (previously £2.784 million)

3. Staff Composition

	2019/20			2018/19		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	3	5	3	2	5
Non-Executive Members and Employee Director	7	9	16	9	13	22
Senior Employees	13	13	26	14	14	28
Other	2,879	12,732	15,611	2810	12,583	15,393
Total Headcount	2,901	12,757	15,658	2836	12,612	15,448

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT

4. HIGHER PAID EMPLOYEES REMUNERATION

Employees whose remuneration fell within the following ranges:	2019/20 No.	2018/19 No.
Clinicians		
£ 70,001 to £80,000	151	104
£ 80,001 to £90,000	83	72
£ 90,001 to £100,000	74	56
£100,001 to £110,000	62	56
£110,001 to £120,000	63	61
£120,001 to £130,000	65	64
£130,001 to £140,000	66	57
£140,001 to £150,000	45	38
£150,001 to £160,000	29	36
£160,001 to £170,000	27	32
£170,001 to £180,000	23	29
£180,001 to £190,000	14	8
£190,001 to £200,000	5	7
£200,001 and above	23	17

Other

£ 70,001 to £ 80,000	35	43
£ 80,001 to £ 90,000	18	13
£ 90,001 to £100,000	9	10
£100,001 to £110,000	7	3
£110,001 to £120,000	1	2
£120,001 to £130,000	1	0
£130,001 to £140,000	0	3
£140,001 to £150,000	1	0
£150,001 to £160,000	1	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

Note :

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

5. Sickness absence

NHS Grampian proactively manages staff who are absent in the workplace due to sickness. Staff are encouraged to return to work as soon as possible which may include adjustment programmes longer than 4 weeks when clinically justified. With an aging workforce, people take longer to recover from accidents and injuries and it's paramount that they be supported to return to work as soon as possible. All evidence and research shows that it is better to have somebody at work in staged recovery, rather than off sick for extended periods. This has contributed to the achievement of the overall annual sickness absence rates of 4.8%. To help ensure that staff have the right access to advice on health related matters, the Board have recently commenced a pilot for a new Occupational Health Wellbeing Hub which ensure that staff seeking assistance receive timely and tailored care, keeping people well and at work.

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

6. Staff policies applied during the financial year relating to the employment of Disabled Persons

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2019/20 NHS Grampian employed an average 46.5wte (headcount 54) staff with a disability compared to 49.6wte (headcount 60) in 2018/19.

The NHS Grampian Equality, Diversity and Human Rights Policy can be accessed at the following [link](#). This covers, in detail, the employment of disabled persons including recruitment and selection, treatment during employment and monitoring arrangements. The policy also lists the other NHS Grampian Policies which are in place to ensure that applicants for posts with a disability and staff in post with a disability are treated fairly and that everything reasonably possible is done to meet their needs. This includes providing appropriate support and making reasonable adjustments, training, career development and promotion of disabled persons.

7. Other employee matters such as diversity and equal treatment

NHS Grampian fully complies with the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012. More information, including the key reports listed below, can be accessed at this [link](#).

- NHS Grampian Equalities Outcomes Report 2017-2021, published in March 2019;
- Making equality duty an integral part of the way NHS Grampian functions - progress Report for 2017-2019, published in March 2019;
- An NHS Grampian Equal Pay Monitoring Report, published in April 2019 and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2018/19.

NHS Grampian also has a range of other policies developed in partnership with Trade Unions and Professional Organisation representatives to cover all employee matters including health and safety, employee consultation, trade union relationships, employability and pay policy.

8. Expenditure on consultancy

Expenditure on external consultancy during 2019/20 was £50,654 (2018/19 £85,685)

NHS Grampian has used a total of 2 consultancy organisations during 2019/20 (4 in 2018/19). These suppliers provided consultancy services in a number of areas including, capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian's own staff and therefore represent a value for money alternative to the direct employment of specialist staff.

ACCOUNTABILITY REPORT (cont)
b) REMUNERATION AND STAFF REPORT
ii) STAFF REPORT (cont)

9. Off payroll engagements

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

All Board members deemed to have significant financial responsibility during the year were remunerated through NHS Grampian’s payroll.

10. Exit packages

The following table summarises exit packages agreed in the year. There were no compulsory redundancies in 2019/20 or 2018/19:

	2019/20	2018/19
Exit Package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£10,000 - £25,000		1
£50,000 - £100,000	1	
Total Resource Cost (£'000)	51	25

11. Trade Union (Facility Time Publication Requirements) Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time. The information relating to NHS Grampian is as follows :-

115 (101.92 WTE) employees were relevant union officials during 2019/20

Percentage of time spent on facility time	Number of Employees
0%	66
1-50%	40
51-99%	8
100%	1

	£ million
Total Cost of Facility Time	0.404
Total cost of Paybill	641.501
Percentage of total pay bill spent on facility time	0.06%
Percentage of total facility time spent in trade Union Activities	6.33%

This information is also published on the NHS Grampian website at <http://www.nhsgrampian.org>

ACCOUNTABILITY REPORT (cont)
c) PARLIAMENTARY ACCOUNTABILITY REPORT

1. Losses and Special Payments

On occasion, the Board may be required to write off outstanding debt that is assessed as no longer recoverable, make an ex gratia payment or to pay compensation for a loss incurred by a third-party including patients or staff. All such payments including all clinical negligence compensation claims, in excess of the Board's delegated limits, require the approval of the SGHSCD.

The following special payments and losses have been approved by the Board and are included in the financial statements for 2019/20:

	No. of cases 2019/20	£000 2019/20	No. of cases 2018/19	£000 2018/19
Fraud and suspected Fraud	33	0	23	1
Clinical Negligence and Employer Liability claims	51	7,857	47	2,786
Other losses and ex gratia payments	55	24	73	11
Total Special payments and losses	139	7,881	143	2,798

In 2019/20, the Board was required to pay out 7 claims, £2.5 million, £0.97 million, £0.73 million, £0.56 million, £0.43 million, £0.32 million and £0.25 million, in respect of clinical negligence cases in excess of £0.25 million (2018/19: 2 claims £0.73 million and £0.36 million). No other individual losses or claims with a value exceeding £0.25 million were settled during the year.

The Board is also required to provide for all clinical negligence and employer liability claims notified to it and which will be settled at a future date. Details of these provisions and an explanation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) can be found in note 13.

2. Fees and Charges

The Board had no commercial trading activity during 2019/20 where the full annual cost exceeded £1 million (2018/19 nil).

3. Contingent Liabilities

Contingent liabilities are disclosed in note 14 and contractual obligations are disclosed in note 15.

A L. Croft

03 September 2020

Professor Amanda Croft
Chief Executive
Grampian Health Board

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Grampian Health Board and its group for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2020 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is four years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: valuation of land and buildings

I draw attention to section 7.2.2 of the Performance Report, 'Property Valuation' and section 29 of Note 1: Accounting Policies in the financial statements, 'Key sources of judgement, estimation and uncertainty' which describe the effects of a material uncertainty, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Independent auditor's report (cont)

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Independent auditor's report (cont)

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Independent auditor's report (cont)

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

03 September 2020

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2020

		NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Aberdeen City 2019/20 £'000	Aberdeenshire 2019/20 £'000	Moray 2019/20 £'000	Group 2019/20 £'000	Group 2018/19 £'000
Staff Costs	3a	724,089	0	0	0	0	0	724,089	647,221
Other Operating Expenditure	3b								
Independent Primary Care Services		156,882	0	0	0	0	0	156,882	147,767
Drugs and Medical Supplies		228,339	0	0	0	0	0	228,339	222,164
Other Health Care expenditure		817,249	4,721	(1,997)	0	0	0	819,973	773,579
Gross expenditure for the year		1,926,559	4,721	(1,997)	0	0	0	1,929,283	1,790,731
Less : Operating Income	4	(732,145)	(3,531)	1,997	0	0	0	(733,679)	(670,396)
Joint Ventures accounted for on an equity basis		0	0	0	1,488	644	35	2,167	922
Net expenditure for the year		1,194,414	1,190	0	1,488	644	35	1,197,771	1,121,257
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)									
Net Loss/(gain) on revaluation of Property Plant and Equipment		(38,739)	0	0	0	0	0	(38,739)	(4,714)
Net Loss/(gain) on revaluation of financial assets		0	2,417	0	0	0	0	2,417	(2,734)
Total Comprehensive Net Expenditure/(Income)		1,155,675	3,607	0	1,488	644	35	1,161,449	1,113,809

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 14 and 15.

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019

		NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Aberdeen City 2018/19 £'000	Aberdeenshire 2018/19 £'000	Moray 2018/19 £'000	Group 2018/19 £'000
Staff Costs	3a	647,221	0	0	0	0	0	647,221
Other Operating Expenditure	3b							
Independent Primary Care Services		147,767	0	0	0	0	0	147,767
Drugs and Medical Supplies		222,164	0	0	0	0	0	222,164
Other Health Care expenditure		773,993	2,604	(3,018)	0	0	0	773,579
Gross expenditure for the year		1,791,145	2,604	(3,018)	0	0	0	1,790,731
Less : Operating Income	4	(670,397)	(3,017)	3,018	0	0	0	(670,396)
Joint Ventures accounted for on an equity basis		0	0	0	1,365	(703)	260	922
Net expenditure for the year		1,120,748	(413)	0	1,365	(703)	260	1,121,257
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)								
Net Loss/(gain) on revaluation of Property Plant and Equipment		(4,714)	0	0	0	0	0	(4,714)
Net Loss/(gain) on revaluation of financial assets		0	(2,734)	0	0	0	0	(2,734)
Total Comprehensive Net Expenditure/(Income)		1,116,034	(3,147)	0	1,365	(703)	260	1,113,809

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Aberdeen City 2019/20 £'000	Aberdeenshire 2019/20 £'000	Moray 2019/20 £'000	Group 2019/20 £'000	Group 2018/19 £'000
Non-current assets:									
Property, plant and equipment	7c	578,115	0	0	0	0	0	578,115	547,068
Intangible assets	6	1,334	0	0	0	0	0	1,334	840
Financial assets:									
Financial assets	10	432	41,826	0	0	0	0	42,258	44,690
Investments in joint ventures		0	0	0	1,301	59	93	1,453	3,620
Trade and other receivables	9	88,834	0	0	0	0	0	88,834	80,213
Total non-current assets		668,715	41,826	0	1,301	59	93	711,994	676,431
Current Assets:									
Inventories	8	7,197	0	0	0	0	0	7,197	5,574
Financial assets:									
Trade and other receivables	9	47,171	153	(882)	0	0	0	46,442	42,094
Cash and cash equivalents	11	2,798	1,935	0	0	0	0	4,733	4,466
Assets classified as held for sale	7b	1,057	0	0	0	0	0	1,057	1,942
Total current assets		58,223	2,088	(882)	0	0	0	59,429	54,076
Total assets		726,938	43,914	(882)	1,301	59	93	771,423	730,507
Current liabilities									
Provisions	13	(23,474)	(4,244)	0	0	0	0	(27,718)	(32,844)
Financial liabilities:									
Trade and other payables	12	(102,107)	(1,095)	882	0	0	0	(102,320)	(100,976)
Total current liabilities		(125,581)	(5,339)	882	0	0	0	(130,038)	(133,820)
Non-current assets (less) net current liabilities		601,357	38,575	0	1,301	59	93	641,385	596,687
Non-current liabilities									
Provisions	13	(139,416)	(1,808)	0	0	0	0	(141,224)	(123,113)
Financial liabilities:									
Trade and other payables	12	(41,601)	0	0	0	0	0	(41,601)	(42,718)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0	0
Total non-current liabilities		(181,017)	(1,808)	0	0	0	0	(182,825)	(165,831)
Assets less liabilities		420,340	36,767	0	1,301	59	93	458,560	430,856
Taxpayers' Equity									
General fund		284,228	0	0	0	0	0	284,228	284,903
Revaluation reserve		136,112	0	0	0	0	0	136,112	101,959
Other reserves		0	36,767	0	0	0	0	36,767	40,374
Other reserves- Joint Venture		0	0	0	1,301	59	93	1,453	3,620
Total taxpayers' equity		420,340	36,767	0	1,301	59	93	458,560	430,856

The Annual Accounts were approved by the Board of Directors and authorised for issue on 3 September 2020

A L. Croft

Professor Amanda Croft
Chief Executive

Alan Gray

Mr Alan Gray
Director of Finance

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Aberdeen City 2018/19 £'000	Aberdeenshire 2018/19 £'000	Moray 2018/19 £'000	Group 2018/19 £'000
Non-current assets:								
Property, plant and equipment	7c	547,068	0	0	0	0	0	547,068
Intangible assets	6	840	0	0	0	0	0	840
Financial assets:								
Financial assets	10	443	44,247	0	0	0	0	44,690
Investments in associates and joint ventures		0	0	0	2,789	703	128	3,620
Trade and other receivables	9	80,213	0	0	0	0	0	80,213
Total non-current assets		628,564	44,247	0	2,789	703	128	676,431
Current Assets:								
Inventories	8	5,574	0	0	0	0	0	5,574
Financial assets:								
Trade and other receivables	9	42,914	27	(847)	0	0	0	42,094
Cash and cash equivalents	11	2,116	2,350	0	0	0	0	4,466
Assets classified as held for sale	7b	1,942	0	0	0	0	0	1,942
Total current assets		52,546	2,377	(847)	0	0	0	54,076
Total assets		681,110	46,624	(847)	2,789	703	128	730,507
Current liabilities								
Provisions	13	(27,903)	(4,941)	0	0	0	0	(32,844)
Financial liabilities:								
Trade and other payables	12	(100,796)	(1,027)	847	0	0	0	(100,976)
Total current liabilities		(128,699)	(5,968)	847	0	0	0	(133,820)
Non-current assets (less) net current liabilities		552,411	40,656	0	2,789	703	128	596,687
Non-current liabilities								
Provisions	13	(122,831)	(282)	0	0	0	0	(123,113)
Financial liabilities:								
Trade and other payables	12	(42,718)	0	0	0	0	0	(42,718)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0
Total non-current liabilities		(165,549)	(282)	0	0	0	0	(165,831)
Assets less liabilities		386,862	40,374	0	2,789	703	128	430,856
Taxpayers' Equity								
General fund		284,903	0	0	0	0	0	284,903
Revaluation reserve		101,959	0	0	0	0	0	101,959
Other reserves		0	40,374	0	0	0	0	40,374
Other reserves- Joint Venture		0	0	0	2,789	703	128	3,620
Total taxpayers' equity		386,862	40,374	0	2,789	703	128	430,856

GRAMPIAN HEALTH BOARD

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Note	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Aberdeen City 2019/20 £'000	Aberdeenshire 2019/20 £'000	Moray 2019/20 £'000	Group 2019/20 £'000	Group 2018/19 £'000
Cash flows from operating activities									
Net operating cost		(1,194,414)	(1,190)	0	(1,488)	(644)	(35)	(1,197,771)	(1,121,257)
Adjustments for non-cash transactions	2b	23,123	0	0	1,488	644	35	25,290	28,202
Add back: interest payable recognised in net operating cost	2b	2,917	0	0	0	0	0	2,917	2,675
Investment Income		0	(1,533)	0	0	0	0	(1,533)	(1,508)
(Increase)/decrease in trade and other receivables	2c	(12,736)	(126)	35	0	0	0	(12,827)	(383)
(Increase)/decrease in inventories	2c	(1,623)	0	0	0	0	0	(1,623)	(221)
Increase/(decrease) in trade and other payables	2c	(1,099)	68	(35)	0	0	0	(1,066)	(5,725)
Increase/(decrease) in provisions	2c	12,156	829	0	0	0	0	12,985	4,186
Net cash outflow from operating activities		(1,171,676)	(1,952)	0	0	0	0	(1,173,628)	(1,094,031)
Cash flows from investing activities									
Purchase of property, plant and equipment		(14,299)	0	0	0	0	0	(14,299)	(43,010)
Purchase of intangible assets		(802)	0	0	0	0	0	(802)	(81)
Investment Additions	10	0	(8,572)	0	0	0	0	(8,572)	(8,793)
Proceeds of disposal of property, plant and equipment		1,574	0	0	0	0	0	1,574	1,797
Receipts from sale of investments		0	8,576	0	0	0	0	8,576	8,808
Interest and dividends received		0	1,533	0	0	0	0	1,533	1,508
Net cash outflow from investing activities		(13,527)	1,537	0	0	0	0	(11,990)	(39,771)
Cash flows from financing activities									
Funding		1,189,153	0	0	0	0	0	1,189,153	1,119,231
Movement in general fund working capital		682	0	0	0	0	0	682	1,448
Cash drawn down		1,189,835	0	0	0	0	0	1,189,835	1,120,679
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	(1,033)	0	0	0	0	0	(1,033)	14,589
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,917)	0	0	0	0	0	(2,917)	(2,675)
Net Financing		1,185,885	0	0	0	0	0	1,185,885	1,132,593
Net increase/(decrease) in cash and cash equivalents in the period		682	(415)	0	0	0	0	267	(1,209)
Cash and cash equivalents at the beginning of the year		2,116	2,350	0	0	0	0	4,466	5,675
Cash and cash equivalents at the end of the year	11	2,798	1,935	0	0	0	0	4,733	4,466

GRAMPIAN HEALTH BOARD

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

		NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Aberdeen City	Aberdeenshire	Moray	Group
	Note	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities								
Net operating cost		(1,120,748)	413	0	(1,365)	703	(260)	(1,121,257)
Adjustments for non-cash transactions	2b	27,280	0	0	1,365	(703)	260	28,202
Add back: interest payable recognised in net operating cost	2b	2,675	0	0	0	0	0	2,675
Investment Income		0	(1,508)	0	0	0	0	(1,508)
(Increase)/decrease in trade and other receivables	2c	1,322	22	(1,727)	0	0	0	(383)
(Increase)/decrease in inventories	2c	(221)	0	0	0	0	0	(221)
Increase/(decrease) in trade and other payables	2c	(5,794)	(1,658)	1,727	0	0	0	(5,725)
Increase/(decrease) in provisions	2c	5,635	(1,449)	0	0	0	0	4,186
Net cash outflow from operating activities		(1,089,851)	(4,180)	0	0	0	0	(1,094,031)
Cash flows from investing activities								
Purchase of property, plant and equipment		(43,010)	0	0	0	0	0	(43,010)
Purchase of intangible assets		(81)	0	0	0	0	0	(81)
Investment Additions	10	0	(8,793)	0	0	0	0	(8,793)
Proceeds of disposal of property, plant and equipment		1,797	0	0	0	0	0	1,797
Receipts from sale of investments		0	8,808	0	0	0	0	8,808
Interest and dividends received		0	1,508	0	0	0	0	1,508
Net cash outflow from investing activities		(41,294)	1,523	0	0	0	0	(39,771)
Cash flows from financing activities								
Funding		1,119,231	0	0	0	0	0	1,119,231
Movement in general fund working capital		1,448	0	0	0	0	0	1,448
Cash drawn down		1,120,679	0	0	0	0	0	1,120,679
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	14,589	0	0	0	0	0	14,589
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,675)	0	0	0	0	0	(2,675)
Net Financing		1,132,593	0	0	0	0	0	1,132,593
Net increase/(decrease) in cash and cash equivalents in the period		1,448	(2,657)	0	0	0	0	(1,209)
Cash and cash equivalents at the beginning of the year		668	5,007	0	0	0	0	5,675
Cash and cash equivalents at the end of the year	11	2,116	2,350	0	0	0	0	4,466

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2020

Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000	
	General Fund £'000	Revaluation Reserve £'000	Total Board Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000		
Balance at 31 March 2019	284,903	101,959	386,862	30,502	9,872	40,374	2,789	703	128	430,856	
Changes in taxpayers' equity for 2019-20											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	38,739	38,739	0	0	0	0	0	38,739	
Net loss on revaluation of financial assets	10	0	0	0	(2,244)	(173)	(2,417)	0	0	(2,417)	
Impairment of property, plant and equipment	7a	0	399	399	0	0	0	0	0	399	
Revaluation & impairments taken to operating costs	2a	0	(399)	(399)	0	0	0	0	0	(399)	
Transfers between reserves		4,586	(4,586)	0	0	0	0	0	0	0	
Net operating cost for the year		(1,194,414)	0	(1,194,414)	(1,190)	0	(1,190)	(1,488)	(644)	(35)	(1,197,771)
Total recognised income and expense for 2019-20		(1,189,828)	34,153	(1,155,675)	(3,434)	(173)	(3,607)	(1,488)	(644)	(35)	(1,161,449)
Funding:											
Drawn down		1,189,835	0	1,189,835	0	0	0	0	0	0	1,189,835
Movement in General Fund Creditor		(682)	0	(682)	0	0	0	0	0	0	(682)
Balance at 31 March 2020		284,228	136,112	420,340	27,068	9,699	36,767	1,301	59	93	458,560

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2019

Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000	
	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000		
Balance at 31 March 2018	282,570	101,095	383,665	28,622	8,605	37,227	4,154	0	388	425,434	
Prior year adjustments for changes in accounting policy and material errors			0			0				0	
Restated Balance at 1 April 2018	282,570	101,095	383,665	28,622	8,605	37,227	4,154	0	388	425,434	
Changes in taxpayers' equity for 2018-19											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	4,714	4,714	0	0	0	0	0	4,714	
Net gain on revaluation of financial assets	10	0	0	0	1,467	1,267	2,734	0	0	2,734	
Impairment of property, plant and equipment	7a	0	(3,215)	(3,215)	0	0	0	0	0	(3,215)	
Revaluation & impairments taken to operating costs	2a	0	3,215	3,215	0	0	0	0	0	3,215	
Transfers between reserves		3,850	(3,850)	0	0	0	0	0	0	0	
Net operating cost for the year		(1,120,748)	0	(1,120,748)	413	0	413	(1,365)	703	(260)	(1,121,257)
Total recognised income and expense for 2018/19		(1,116,898)	864	(1,116,034)	1,880	1,267	3,147	(1,365)	703	(260)	(1,113,809)
Funding:											
Drawn down		1,120,679	0	1,120,679	0	0	0	0	0	0	1,120,679
Movement in General Fund Creditor		(1,448)	0	(1,448)	0	0	0	0	0	0	(1,448)
Balance at 31 March 2019		284,903	101,959	386,862	30,502	9,872	40,374	2,789	703	128	430,856

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1) Authority

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

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

1(a) Disclosure of new accounting standards

There were no new standards, amendments and interpretations effective in 2019/20 for the first time.

1(b) Standards, amendments and interpretations early adopted this year

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

1(c) Standards issued but not yet effective

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

- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2021. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. NHS Grampian expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Impact of the new standard

IFRS 16 was due to be applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2020, however in light of COVID-19 pressures, implementation in the public sector has been deferred to 2021/22. The Board had assessed the impact that the application of IFRS 16 would have on the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) for the financial year ending 31 March 2021 and on the Statement of Financial Position (SOFP) at that date. The standard is expected to increase total expenditure by £0.8 million. Right-of-use assets totalling £45.2 million will be brought onto the Statement of Financial Position, with an associated lease liability of £43.8 million.

IFRS 16 – Impacts to the SoCNE	£m
2020-21 anticipated depreciation	4.221
2020-21 interest expense expected	0.705
2020-21 IAS 17-basis rental payments expected	(4.125)
Net impact to SoCNE in the year to 31 March 2021	0.801

IFRS 16 – Impacts to the SoFP	£m
Right-to-use asset as at 1 April 2020	40.632
Net additions/(disposals) to right-of-use asset as at 31 March 2021	8.787
2020-21 anticipated depreciation	(4.221)
Net right-of-use asset as at 31 March 2021	45.198
Existing IAS 17 operating leases brought on at 1 April 2020	(39.018)
Liability associated with additions/disposals as 31 March 2021	(8.220)
2020-21 principal	3.419
Net liability as at 31 March 2021	(43.819)

2) Basis of Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board, who are appointed by Scottish Ministers.

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

Effective from 2016/17 the Board has also disclosed its interest in the three Integration Joint Boards (IJBs); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation. In accordance with IFRS 11 – Joint Arrangements each IJB is considered to be a Joint Venture and the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of IJBs using the equity method of accounting in accordance with IAS 28 – Investments in Associates and Joint arrangements.

3) Retrospective Restatements

There are no adjustments to prior year figures required to be reflected in the accounts.

4) Going Concern

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

5) Accounting Convention

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

6) Funding

6 (a) Grampian Health Board

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit (RRL). Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund. All other income receivable by the board that is not classed as funding is recognised when the transfer of goods or services (the performance obligation) is satisfied. Where income is received for goods or services that will not be delivered in the current financial year, that income is deferred.

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

6(b) NHS Grampian Endowment Funds

All incoming resources are recognised once the NHS Grampian Endowment Funds has received its entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Legacies and donations to the NHS Grampian Endowment Funds are accounted for as incoming resources upon confirmation of legal entitlement and classified as restricted or unrestricted based on the donors stated wishes. Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

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

7) Property, plant and equipment

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

7(a) Recognition

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

All assets falling into the following categories are capitalised:

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

Note 1. ACCOUNTING POLICIES (cont)

7(b) Measurement

Valuation:

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

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

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

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

Valuations of all land and building assets are reassessed by valuers under an agreed programme. All property assets are subject to a full professional valuation at least every 5 years, but more frequently should market forces dictate, and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government;

Non-specialised equipment, installations and fittings are stated at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is a proxy for fair value in respect of such assets which have short useful lives or low values (or both); and

Assets under construction are held at cost until operational. Thereafter they are valued as above in accordance with all other assets in the same category. These assets are also subject to impairment review.

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

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

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

Subsequent expenditure:

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

Note 1. ACCOUNTING POLICIES (cont)

For large complex backlog maintenance projects the nature of the work can vary significantly as the programme progresses and it is often difficult to accurately analyse work in progress between the aspects of the programme that will deliver future economic benefit, i.e. the capital expenditure, from the aspects of the programme that are ongoing maintenance activities i.e. the revenue expenditure. In these circumstances, all expenditure is charged and carried initially as an Asset Under Construction in the Board's ledger. On completion of each significant stage of the project, the final out turn expenditure is analysed between revenue and capital based on the completed scope. Revenue expenditure is charged to the Statement of Comprehensive Net Expenditure and the capitalised expenditure is then subject to an impairment review based on an interim valuation of the completed work by the Board's independent valuation advisors.

Revaluations and Impairment:

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

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the general fund.

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

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

7(c) Depreciation

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Property, Plant and Equipment which has been reclassified as 'Held for Sale' and non-operational assets which have been declared surplus cease to be depreciated upon the reclassification.
- 3) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 4) Equipment is depreciated over the estimated life of the asset.
- 5) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

Depreciation is charged on a straight-line basis using an assessment of the remaining useful economic life determined by the Board's appointed valuers.

The following asset lives have been used:

	Useful Life
Buildings Structure	20-90
Buildings Engineering	5-35
Moveable engineering plant and equipment and equipment and long-life medical equipment	10
Furniture and medium-life medical equipment	5-10
Vehicles and soft furnishings	7-10
Office, information technology, short-life medical and other equipment	2-5

8) Intangible Assets

8(a) Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets :

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

Expenditure on research is not capitalised.

Note 1. ACCOUNTING POLICIES (cont)

Software:

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

Software licences:

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

Websites:

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

8(b) Measurement

Valuation:

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

Subsequently intangible assets that are not held for their service potential (i.e. assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value.

Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

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

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the general fund.

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

Note 1. ACCOUNTING POLICIES (cont)

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

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

8 (c) Amortisation

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

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

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

Useful Life

Information technology	2-5
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9) Non-current assets held for sale

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

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

10) Donated Assets

Charitable donations and legacies for the benefit of health services in Grampian are generally either made to the NHS Grampian Endowment Funds, a separate legal organisation and registered charity or to one of the many independent healthcare related charitable organisations that exist within Grampian e.g. Hospital Friends groups. Where these charitable organisations, including the NHS Grampian Endowment Funds, or from time to time an individual philanthropic donor, provides grant funding to support the purchase or construction of a physical asset, then NHS Grampian will recognise the grant funding as income within the Statement of Comprehensive Net Expenditure (SOCNE). NHS Grampian will ensure that all donations are utilised in line with any specific conditions attached by the donor. The resulting asset will be capitalised on the Statement of Financial position (SOFP) initially at the current full replacement cost. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual, as set out above.

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

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

12) Leasing

12(a) Finance leases

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

Note 1. ACCOUNTING POLICIES (cont)

12(b) Operating leases

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

12(c) Leases of land and buildings

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

12(d) HUB Schemes

Transactions financed as revenue transactions through the Scottish Government's HUB initiative are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board.

The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories. The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

13) Impairment of non-financial assets

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

Note 1. ACCOUNTING POLICIES (cont)

14) General Fund Receivables and Payables

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

15) Inventories

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

16) Losses and Special Payments

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

17) Employee Benefits

17(a) Short-term Employee Benefits

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

17(b) Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The scheme was revised on 1 April 2015 to extend the retirement age to the State Pension age and to calculate benefits on a career average re-valued earnings basis (CARE).

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

Note 1. ACCOUNTING POLICIES (cont)

The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'.

As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18) Clinical and Medical Negligence Costs

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

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

19) Related Party Transactions

Material related party transactions are disclosed in note 21 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

Note 1. ACCOUNTING POLICIES (cont)

20) Value Added Tax

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

21) Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

22) Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 14 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

23) Corresponding Amounts

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

24) Financial Instruments

24(a) Financial assets

Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

Note 1. ACCOUNTING POLICIES (cont)

Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

(c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

Note 1. ACCOUNTING POLICIES (cont)

Recognition and measurement

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

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

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

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

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

(b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets carried at fair value through other comprehensive income are subsequently measured at fair value. Gains or losses arising from changes in the fair value are recognised in the Statement of Comprehensive Net Expenditure until the financial asset is derecognised or reclassified. (IFRS 9 - 5.7.10)

24)(b) Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- ii. they contain embedded derivatives; and/or
- iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

Note 1. ACCOUNTING POLICIES (cont)

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

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

(b) Financial liabilities held at amortised cost

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

Recognition and measurement

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

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(b) Amortised costs

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

25) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board. Operating segments are unlikely to directly relate to the analysis of expenditure shown in Note 3.

26) Cash and cash equivalents

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

Note 1. ACCOUNTING POLICIES (cont)

27) Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

28) Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in note 20 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

29) Key sources of judgement, estimation and uncertainty

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

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

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

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

Note 1. ACCOUNTING POLICIES (cont)

Fair Value of Property, Plant & Equipment: The Board commissioned a valuation for 31 March 2020 which was performed in March 2020. Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2020, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 16 above.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by COVID-19. The Red Book defines material uncertainty as *'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'**

The valuation report has been used to inform the measurement of assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Grampian as at 31 March 2020 and can be relied upon.

- The valuer has indicated the range of uncertainty attached to the valuation of Land is within a 10% tolerance.
- A 10% change in Land valuation would have a £3.2m impact on the Statement of Financial Position.
- Of the £507.96m netbook value of land and buildings subject to valuation, £444m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to NHS Grampian of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced.

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

GRAMPIAN HEALTH BOARD

NOTE 2A. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2019/20 £'000	2019/20 £'000
Net expenditure		1,197,771
Total Non Core Expenditure (see below)		(39,155)
FHS Non Discretionary Allocation		(56,812)
Donated Assets Income		1,376
Endowment Net Operating Costs		(1,190)
Joint Ventures accounted for on an equity basis		(2,167)
Total Core Expenditure		1,099,823
Core Revenue Resource Limit		1,099,848
Saving/(excess) against Core Revenue Resource Limit		<u>25</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation	23,505	
Annually Managed Expenditure - Impairments	(399)	
Annually Managed Expenditure - Creation of Provisions	7,869	
Annually Managed Expenditure - Depreciation of Donated Assets	1,398	
Additional SGHSCD non-core funding	6,782	
Total Non Core Expenditure		39,155
Non Core Revenue Resource Limit		39,155
Saving/(excess) against Non Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(excess) £'000
Core	1,099,848	1,099,823	25
Non Core	39,155	39,155	0
Total	1,139,003	1,138,978	25

GRAMPIAN HEALTH BOARD

2b NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for non-cash transactions

	Note	2019/20 £'000	2018/19 £'000
Expenditure not paid in cash			
Depreciation	7a	23,197	23,452
Amortisation	6	308	475
Depreciation of donated assets	7a	1,398	1,327
Impairments on PPE charged to SoCNE		625	4,201
Reversal of impairments on PPE charged to SoCNE		(1,064)	(986)
Loss on remeasurement of non current assets held for sale	7b	40	0
Funding Of Donated Assets *	4/7a	(1,381)	(1,222)
Loss / (profit) on disposal of property, plant and equipment		0	33
Joint Ventures accounted for on an equity basis		2,167	922
Total expenditure not paid in cash		25,290	28,202

Notes :

* Donations to fund specific capital projects are initially treated as operating income disclosed in note 4 and offset against operating expenditure in the SOCNE. Because these donations are used to meet the cost of capital, and not normal operating expenditure, the value of the donations are also included in note 2, in order to ensure that these costs are properly recognised within the cash flow statement.

2b. Interest payable recognised in operating expenditure

		2019/20 £'000	2018/19 £'000
PFI Finance lease charges allocated in the year	17	2,917	2,675

GRAMPIAN HEALTH BOARD

2c. CONSOLIDATED MOVEMENT IN WORKING CAPITAL BALANCES

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			Consolidated Total Movement 2019/20 £'000	NET MOVEMENT				
	Note	Opening Balances 2019/20 £'000	Closing Balances 2019/20 £'000	Net Movement 2019/20 £'000	Opening Balances 2019/20 £'000	Closing Balances 2019/20 £'000	Net Movement 2019/20 £'000	Opening Balances 2019/20 £'000	Closing Balances 2019/20 £'000		Net Movement 2019/20 £'000	NHS Grampian	Charitable Endowment Funds	Intra group Adjustments	Group
		2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000		2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000
INVENTORIES															
Balance Sheet		5,574	7,197												
Net Decrease				<u>(1,623)</u>			<u>0</u>			<u>0</u>	<u>(1,623)</u>				
TRADE AND OTHER RECEIVABLES															
Due within one year		42,914	47,171		27	153		(847)	(882)						
Due after more than one year		80,213	88,834												
Less: Property, Plant & Equipment (Capital) included in above		0	(142)												
Net (Increase)/Decrease		<u>123,127</u>	<u>135,863</u>	<u>(12,736)</u>	<u>27</u>	<u>153</u>	<u>(126)</u>	<u>(847)</u>	<u>(882)</u>	<u>35</u>	<u>(12,827)</u>	<u>1,322</u>	<u>22</u>	<u>(1,727)</u>	<u>(383)</u>
TRADE AND OTHER PAYABLES															
Due within one year		100,796	102,107		1,027	1,095		(847)	(882)						
Due after more than one year		42,718	41,601												
Less: Property, Plant & Equipment (Capital) included in above		(4,346)	(5,990)												
Less: General Fund Creditor included in above		(2,116)	(2,798)												
Less: Lease and PFI Creditors included in above		(43,751)	(42,718)												
Net Increase/(Decrease)		<u>93,301</u>	<u>92,202</u>	<u>(1,099)</u>	<u>1,027</u>	<u>1,095</u>	<u>68</u>	<u>(847)</u>	<u>(882)</u>	<u>(35)</u>	<u>(1,066)</u>	<u>(5,794)</u>	<u>(1,658)</u>	<u>1,727</u>	<u>(5,725)</u>
PROVISIONS															
Balance Sheet		150,734	162,890		5,223	6,052		0	0						
Net Increase				<u>12,156</u>			<u>829</u>			<u>0</u>	<u>12,985</u>	<u>5,635</u>	<u>(1,449)</u>	<u>0</u>	<u>4,186</u>
NET MOVEMENT (Decrease)/Increase				<u>(3,302)</u>			<u>771</u>			<u>0</u>	<u>(2,531)</u>	<u>942</u>	<u>(3,085)</u>	<u>0</u>	<u>(2,143)</u>

GRAMPIAN HEALTH BOARD

3. OPERATING EXPENSES

3a. BOARD STAFF COSTS

	2019/20 £'000	2018/19 £'000
Medical and Dental	231,869	200,274
Nursing	259,934	238,220
Other Staff	232,286	208,727
Total Staff Costs *	<u>724,089</u>	<u>647,221</u>

Note:

*Further detail and analysis of employee expenditure can be found in the Staff Report on page 52.

3b. BOARD NON STAFF OPERATING COSTS

	Notes	2019/20 £'000	2018/19 £'000
Independent Primary Care Services:			
General Medical Services		90,419	84,734
Pharmaceutical Services		23,785	21,140
General Dental Services		31,672	31,161
General Ophthalmic Services		11,006	10,732
Sub total Independent Primary Care Services		<u>156,882</u>	<u>147,767</u>
Drugs and medical supplies:			
Prescribed drugs Primary Care		102,164	100,457
Prescribed drugs Secondary Care		69,993	66,795
Medical Supplies		56,182	54,912
Sub total Drugs and Medical Supplies		<u>228,339</u>	<u>222,164</u>
Other health care expenditure			
Contribution to Integration Joint Boards		552,878	528,481
Goods and services from other NHSScotland bodies		20,726	18,744
Goods and services from other UK NHS bodies		1,622	1,965
Goods and services from private providers		8,811	5,497
Goods and services from voluntary organisations		2,861	2,988
Resource Transfer		67,680	68,128
Loss on disposal of assets		0	33
Depreciation and impairment of non current assets		24,504	28,469
Clinical Negligence and Employers Liability payments		21,861	13,856
Utilities, rent and other property related costs		37,326	34,123
Purchase, hire, servicing and repair of equipment		22,155	19,928
Other operating expenses *		56,632	51,590
External Auditor's remuneration - statutory audit fee		193	191
- other services - details provided below		0	0
Sub total other operating expenditure		<u>817,249</u>	<u>773,993</u>
Total Board Non Staff Operating Expenditure		<u>1,202,470</u>	<u>1,143,924</u>

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 14 and 15.

b) Other operating expenses includes the costs of all indirect services necessary to support the delivery of healthcare. These include food and other catering consumables; cleaning supplies; purchase, repair and laundry of linen; waste disposal; administrative costs such as postage, stationery, advertising and recruitment expenses; training and development of our staff; professional legal services and other specialist advisors; travel and subsistence for staff who travel as part of their duties and running costs for our transport fleet. A detailed analysis of NHS Grampian's operating costs is published annually by the Information and Statistics Division (ISD) at <http://www.isdscotland.org/Health-Topics/Finance/Costs>.

3c. OPERATING EXPENSES - CHARITABLE ENDOWMENT FUNDS

	2019/20 £'000	2018/19 £'000
Patient & Staff Education and Welfare	1,845	1,224
Clinical Research	1,126	652
Purchase of New Equipment	879	712
Infrastructure Improvements	679	(164)
Investment management	192	180
Total Charitable Endowment Funds	<u>4,721</u>	<u>2,604</u>
Intra Group Adjustment	<u>(1,997)</u>	<u>(3,018)</u>
Total Consolidated Operating Expenditure	<u>1,929,283</u>	<u>1,790,731</u>

GRAMPIAN HEALTH BOARD

4. OPERATING INCOME

4a. BOARD OPERATING INCOME

	2019/20 £'000	2018/19 £'000
Income from Scottish Government	332	382
Income from other NHS Scotland bodies	128,872	106,195
Income from NHS non-Scottish bodies	1,374	1,220
Income from private patients	13	29
Income for services commissioned by Integration Joint Board	553,829	522,580
Patient charges for primary care	6,651	6,866
Donations	1,376	1,222
Profit on disposal of assets	969	0
Contributions in respect of clinical and medical negligence claims (note b)	10,682	6,741
Non NHS:		
Overseas patients (non-reciprocal)	314	233
Other	27,733	24,929
Total Board Income	<u>732,145</u>	<u>670,397</u>

4.b. OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2019/20 £'000	2018/19 £'000
Total Income		
Donations	918	1,041
Legacies	1,080	468
Investment Income	1,533	1,508
Total Charitable Endowment Funds	<u>3,531</u>	<u>3,017</u>
Intra Group Adjustment	(1,997)	(3,018)
Total Consolidated Operating Income	<u>733,679</u>	<u>670,396</u>

Notes :

a) Further detail and analysis of the Board's financial performance including an explanation of key variances can be found in the performance report on pages 14 and 15.

b) Income in respect of Clinical/Medical Negligence claims reflects the extent to which income will be received through the Scottish Government Health Directorates risk sharing arrangements to partially offset the cost of outstanding claims arising during the year.

GRAMPIAN HEALTH BOARD

5. SEGMENT INFORMATION

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

	Aberdeen City H&SCP £'000	Aberdeenshire H&SCP £'000	Moray H&SCP £'000	Acute Sector £'000	Corporate & others £'000	Mental Health & Learning Disabilities £'000	£'000
Grampian Health Board Net operating cost 2019/20	190,016	192,903	80,912	478,155	213,072	39,356	1,194,414
PRIOR YEAR							
Grampian Health Board Net operating cost 2018/19	181,885	183,202	76,689	438,856	204,041	36,075	1,120,748

GRAMPIAN HEALTH BOARD

6. INTANGIBLE ASSETS

2019/20

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2019	2,511	2,543	5	5,059
Additions	802	0	0	802
Disposals	(16)	(678)	(5)	(699)
As at 31 March 2020	3,297	1,865	0	5,162
Amortisation				
As at 1 April 2019	2,042	2,172	5	4,219
Provided during the year	182	126	0	308
Disposals	(16)	(678)	(5)	(699)
As at 31 March 2020	2,208	1,620	0	3,828
Net Book Value at 1 April 2019	469	371	0	840
Net Book Value at 31 March 2020	1,089	245	0	1,334

PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2018	2,847	2,462	5	5,314
Additions	0	81	0	81
Disposals	(336)	0	0	(336)
As at 31 March 2019	2,511	2,543	5	5,059
Amortisation				
As at 1 April 2018	2,051	2,024	5	4,080
Provided during the year	327	148	0	475
Disposals	(336)	0	0	(336)
As at 31 March 2019	2,042	2,172	5	4,219
Net Book Value at 1 April 2018	796	438	0	1,234
Net Book Value at 31 March 2019	469	371	0	840

GRAMPIAN HEALTH BOARD

7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2019	31,536	450,482	1,336	1,811	134,888	30,841	4,348	13,380	668,622
Additions - purchased	0	232	0	989	4,544	333	0	9,845	15,943
Additions - donated	0	0	0	19	1,197	119	0	46	1,381
Completions	0	1,171	0	0	0	0	0	(1,171)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	(584)	23,836	33	0	0	0	0	0	23,285
Impairment charges	(146)	(479)	0	0	0	0	0	0	(625)
Impairment reversals	0	1,064	0	0	0	0	0	0	1,064
Disposals - purchased	(21)	(49)	0	(466)	(7,604)	(5,403)	(423)	0	(13,966)
Disposals - donated	0	0	0	(13)	(526)	(14)	0	0	(553)
At 31 March 2020	30,785	476,257	1,369	2,340	132,499	25,876	3,925	22,100	695,151
Depreciation									
At 1 April 2019	0	3,539	8	1,075	90,001	24,240	2,691	0	121,554
Provided during the year - purchased	0	12,868	72	196	8,075	1,705	281	0	23,197
Provided during the year - donated	0	472	0	1	793	102	30	0	1,398
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(15,382)	(72)	0	0	0	0	0	(15,454)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	(1)	0	(119)	(7,171)	(5,401)	(419)	0	(13,111)
Disposals - donated	0	0	0	(8)	(526)	(14)	0	0	(548)
At 31 March 2020	0	1,496	8	1,145	91,172	20,632	2,583	0	117,036
Net book value at 1 April 2019	31,536	446,943	1,328	736	44,887	6,601	1,657	13,380	547,068
Net book value at 31 March 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115
Open Market Value of Land in Land and Dwellings Included Above	3,350		0						
Asset financing:									
Owned - purchased	30,785	394,317	1,361	1,176	36,587	4,800	1,141	22,042	492,209
Owned - donated	0	23,277	0	19	4,740	444	201	58	28,739
Held on finance lease	0	11,194	0	0	0	0	0	0	11,194
On-balance sheet PFI contracts	0	45,973	0	0	0	0	0	0	45,973
Net book value at 31 March 2020	30,785	474,761	1,361	1,195	41,327	5,244	1,342	22,100	578,115

GRAMPIAN HEALTH BOARD

7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED (continued)

PRIOR YEAR

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2018	32,644	437,871	1,469	2,231	136,107	31,111	4,489	26,564	672,486
Additions - purchased	0	3,928	0	115	11,194	2,364	0	8,498	26,099
Additions - donated	0	121	0	0	1,101	0	0	0	1,222
Completions	0	21,662	0	0	20	0	0	(21,682)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	(1,097)	(895)	0	0	0	0	0	0	(1,992)
Revaluations	(13)	(8,210)	6	0	0	0	0	0	(8,217)
Impairment charges	(25)	(4,037)	(139)	0	0	0	0	0	(4,201)
Impairment reversals	27	959	0	0	0	0	0	0	986
Disposals - purchased	0	(917)	0	(535)	(12,822)	(2,572)	(141)	0	(16,987)
Disposals - donated	0	0	0	0	(712)	(62)	0	0	(774)
At 31 March 2019	31,536	450,482	1,336	1,811	134,888	30,841	4,348	13,380	668,622
Depreciation									
At 1 April 2018	0	3,646	0	1,429	94,647	24,881	2,509	0	127,112
Provided during the year - purchased	0	13,215	77	172	7,791	1,904	293	0	23,452
Provided during the year - donated	0	507	0	9	692	89	30	0	1,327
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	(50)	0	0	0	0	0	0	(50)
Revaluations	0	(12,862)	(69)	0	0	0	0	0	(12,931)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	(917)	0	(535)	(12,417)	(2,572)	(141)	0	(16,582)
Disposals - donated	0	0	0	0	(712)	(62)	0	0	(774)
At 31 March 2019	0	3,539	8	1,075	90,001	24,240	2,691	0	121,554
Net book value at 1 April 2018	32,644	434,225	1,469	802	41,460	6,230	1,980	26,564	545,374
Net book value at 31 March 2019	31,536	446,943	1,328	736	44,887	6,601	1,657	13,380	547,068
Open Market Value of Land in Land and Dwellings Included Above	3,880		0						
Asset financing:									
Owned - purchased	31,536	375,917	1,328	730	40,551	6,174	1,426	13,368	471,030
Owned - donated	0	22,321	0	6	4,336	427	231	12	27,333
Held on finance lease	0	5,519	0	0	0	0	0	0	5,519
On-balance sheet PFI contracts	0	43,186	0	0	0	0	0	0	43,186
Net book value at 31 March 2019	31,536	446,943	1,328	736	44,887	6,601	1,657	13,380	547,068

GRAMPIAN HEALTH BOARD

7b. ASSETS HELD FOR SALE

The assets held for sale at 31st March 2020 were Inverurie Health Centre and a plot of Land, May Baird Avenue, on the Royal Cornhill Site. Offers of purchase have been received for both Inverurie Health Centre and May Baird Avenue with all planning conditions expected to be settled and sale completed during 2020/21.

ASSETS HELD FOR SALE - CONSOLIDATED

Note	Property, Plant & Equipment £000
At 1 April 2019	1,942
Losses recognised on re-measurement of non-current assets held for sale	(40)
Disposals of non-current assets held for sale	(845)
At 31 March 2020	1,057

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment £000
At 1 April 2018	0
Transfers from property plant and equipment	1,942
At 31 March 2019	1,942

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

	2019/2020 £000	2018/19 £000
Net book value of property, plant and equipment at 31 March		
Purchased	549,376	519,735
Donated	28,739	27,333
Total	578,115	547,068

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

Net book value of surplus land valued at open market value at 31 March	3,350	3,880
Net book value of surplus buildings valued at open market value at 31 March	0	0

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

Total value of assets held under:

Finance Leases	11,194	5,519
PFI and PPP Contracts	45,973	43,186
	<u>57,167</u>	<u>48,705</u>

Total depreciation charged in respect of assets held under:

Finance leases	269	268
PFI and PPP contracts	839	776
	<u>1,108</u>	<u>1,044</u>

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2020 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The impact of those assets subject to an upward movement in valuation was an increase to the revaluation reserve of £38.739 million (2018/19 decrease £4.714 million) and in addition, a net impairment reversal of £0.399 million. The impairment reversal was credited to net operating expenditure within the Statement of Comprehensive Net Expenditure. The SGHSCD have adjusted non recurring funding to compensate for this reversal. In 2018/19, a net impairment on those assets subject to a decrease in value of £3.215 million was recorded.

GRAMPIAN HEALTH BOARD

7d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2019/20 £'000	2018/19 £'000
Expenditure			
Acquisition of intangible assets	6	802	81
Acquisition of property, plant and equipment	7a	15,943	26,099
Donated asset additions	7a	1,381	1,222
HUB		0	0
Gross Capital Expenditure		18,126	27,402
Income			
Net book value of disposal of property, plant and equipment		855	405
Net book value of disposal of donated assets		5	0
Value of disposal of non-current assets held for sale		845	0
HUB - repayment of investment		11	6
Donated asset income		1,376	1,222
Capital Income		3,092	1,633
Net Capital Expenditure		15,034	25,769
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		15,034	27,348
Non core Capital Resource Limit *		0	(1,579)
Total Capital Resource Limit		15,034	25,769
Saving / (excess) against Total Capital Resource Limit		0	0

* The negative non-core Capital Resource Limit (CRL) of £1.579 million in 2018/19 related to a repayment of non-core capital funding to the SGHSCD arising from the difference between the fair value on completion of the Hub funded Foresterhill Health Centre and the Inverurie Health and care Hub (existing use value, as assessed by the Valuation Office Agency), and the funding received in prior years to cover the notional costs of work in progress, based on actual construction cash flows in line with IPSAS 32

8. INVENTORIES

	2019/20 £000	2018/19 £000
Raw materials and consumables	7,197	5,574

Note

The total Inventory balance at 31 March 2020 includes £6.4m of drug stocks which, although reconciled to the computerised Pharmacy stock control system, could not be subject to a physical stock check due to the restrictions on site access and clinical focus on the response to the COVID pandemic. Physical verification of stock holding and values in line with established operating procedures will be re-introduced as the service returns to normal working arrangements during 2020/21.

GRAMPIAN HEALTH BOARD

9. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Group 2019/20 £'000	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Group 2018/19 £'000
Receivables due within one year								
NHS Scotland Boards	10,839			10,839	9,135			9,135
NHS Non-Scottish Bodies	835			835	834			834
VAT recoverable	1,184			1,184	1,137			1,137
Prepayments	4,319			4,319	4,301			4,301
Accrued income	2,947	129	0	3,076	1,655	7	0	1,662
Other Receivables	6,440	24	(882)	5,582	7,401	20	(847)	6,574
Reimbursement of provisions	18,419			18,419	16,878			16,878
Other Public Sector Bodies	2,188			2,188	1,573			1,573
Total Receivables due within one year	47,171	153	(882)	46,442	42,914	27	(847)	42,094
Receivables due after more than one year								
Accrued income	3,491			3,491	3,365			3,365
Reimbursement of Provisions	85,343			85,343	76,848			76,848
Total Receivables due after more than one year	88,834	0	0	88,834	80,213	0	0	80,213
TOTAL RECEIVABLES	136,005	153	(882)	135,276	123,127	27	(847)	122,307
The total receivables figure above includes a provision for bad debts of :	2,270			2,270	1,766			1,766
WGA Classification								
NHSScotland	10,839			10,839	9,135			9,135
Central Government Bodies	1,694			1,694	1,339			1,339
Whole of Government Bodies	1,678			1,678	1,371			1,371
Balances with NHS Bodies in England and Wales	835			835	834			834
Balances with bodies external to Government	120,959	153	(882)	120,230	110,448	27	(847)	109,628
Total	136,005	153	(882)	135,276	123,127	27	(847)	122,307

GRAMPIAN HEALTH BOARD

9. TRADE AND OTHER RECEIVABLES (Cont)

	2019/20 £'000	2018/19 £'000
Movements on the provision for impairment of receivables are as follows:		
At 1 April	1,766	1,663
Provision for debtors impairment	522	112
Receivables written off during the year as uncollectable	(18)	(9)
At 31 March	2,270	1,766

As of 31 March 2020, receivables with a carrying value of £2.270m (2019: £1.766m) were impaired and provided for. The ageing of these receivables is as follows:

	2019/20 £'000	2018/19 £'000
Up to 6 months past due	218	168
Over 6 months past due	2,052	1,598

The impaired value of £2.3 million (2019 £1.77 million) includes £1.07 million (2019 £1 million) related to NHS Injury Cost Recovery Scheme. The remaining £1.2 million (2018 £0.77 million) reflects the impairment of trade receivables calculated using an expected credit loss model in line with IFRS 9.

From 1 April 2018, with the implementation of IFRS 9, receivables are reviewed from the point in time they are raised based on historical loss rates. As at 31 March 2020, receivables with a carrying value of £3.3 million (2019: £3.3 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2019/20 £'000	2018/19 £'000
Up to 3 months past due	1,471	2,012
3 to 6 months past due	417	303
Over 6 months past due	1,391	1,013
	3,279	3,328

The receivables assessed as past due but not impaired were NHS Scotland Health Boards, and debt with NHS England, Wales and Northern Ireland bodies (where the debt was less than 120 days old) and there is no history of default from these customers recently.

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

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

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

	2019/20 £'000	2018/19 £'000
Existing customers with no defaults in the past	7,552	2,496

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

	2019/20 £'000	2018/19 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	135,276	122,307

All non-current receivables are due within 20 years (2018-19: 20 years) from the balance sheet date.

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

The fair value of long term other receivables is £88.834m (2018-19 £80.213m).

The effective interest rate on non-current other receivables is 0.7% (2018-19: 0.7%). Pension liabilities are discounted at -0.5% (2018-19: 0.29%).

GRAMPIAN HEALTH BOARD

10. FINANCIAL ASSETS

	Charitable Endowment Funds			Charitable Endowment Funds		
	NHS Grampian 2019/20 £'000	2019/20 £'000	Group 2019/20 £'000	NHS Grampian 2018/19 £'000	2018/19 £'000	Group 2018/19 £'000
Stocks and Bonds **	0	41,826	41,826	0	44,247	44,247
Other *	432	0	432	443	0	443
TOTAL	432	41,826	42,258	443	44,247	44,690
At 1 April	443	44,247	44,690	449	41,528	41,977
Additions	0	8,572	8,572	0	8,793	8,793
Disposals	(11)	(8,576)	(8,587)	(6)	(8,808)	(8,814)
Revaluation (deficit)/surplus transferred to equity	0	(2,417)	(2,417)	0	2,734	2,734
At 31 March	432	41,826	42,258	443	44,247	44,690
Current	0	0	0	0	0	0
Non-current	432	41,826	42,258	443	44,247	44,690
At 31 March	432	41,826	42,258	443	44,247	44,690

Note:

*Other financial assets comprise a further small shareholding in HUB North of Scotland Ltd an unlisted investment denominated in UK pounds and £432k in the form of non equity long term loans repayable in full with interest over 25 years, to Hub North of Scotland Ltd as part of the financing arrangements for the Aberdeen Health and Care Village, Forres, Woodside, Inverurie and Foresterhill Health Centres.

The carrying value of other investments is cost less impairment as there is no active market for the equity investments or the loans.

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

GRAMPIAN HEALTH BOARD

11. CASH AND CASH EQUIVALENTS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000	At 01/04/19 £'000	Net Change £'000	At 31/03/20 £'000
Government Banking Service account balance	2,021	420	2,441	2,350	(415)	1,935	0	0	0	4,371	5	4,376
Cash at bank and in hand	95	262	357	0	0	0	0	0	0	95	262	357
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	2,116	682	2,798	2,350	(415)	1,935	0	0	0	4,466	267	4,733
CASH AND CASH EQUIVALENTS - PRIOR YEAR												
	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000
Government Banking Service account balance	565	1,456	2,021	5,007	(2,657)	2,350	0	0	0	5,572	(1,201)	4,371
Cash at bank and in hand	103	(8)	95	0	0	0	0	0	0	103	(8)	95
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	668	1,448	2,116	5,007	(2,657)	2,350	0	0	0	5,675	(1,209)	4,466

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

GRAMPIAN HEALTH BOARD

12. TRADE AND OTHER PAYABLES

	NHS Grampian 2019/20 £'000	Charitable Endowment Funds 2019/20 £'000	Intra Group Adjustments 2019/20 £'000	Group 2019/20 £'000	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Group 2018/19 £'000
Payables due within one year								
NHS Scotland Boards	7,578			7,578	6,572			6,572
NHS Non-Scottish Bodies	1,160			1,160	899			899
Amounts Payable to General Fund	2,798			2,798	2,116			2,116
FHS Practitioners	18,307			18,307	15,778			15,778
Trade Payables	297			297	540			540
Accruals	31,916	212	0	32,128	32,323	182	(3)	32,502
Deferred income	571			571	1,403			1,403
Net obligations under Finance Leases	331			331	312			312
Net obligations under PPP/PFI Contracts	786			786	721			721
Income tax and social security	14,188			14,188	13,484			13,484
Superannuation	11,222			11,222	8,922			8,922
Holiday Pay Accrual	3,196			3,196	2,794			2,794
Other Public Sector Bodies	7,622	883	(882)	7,623	13,136	845	(844)	13,137
Other payables	2,135			2,135	1,796			1,796
Total Payables due within one year	102,107	1,095	(882)	102,320	100,796	1,027	(847)	100,976
Payables due after more than one year								
Net obligations under Finance Leases due within 2 years	359	0	0	359	331	0	0	331
Net obligations under Finance Leases due after 2 years but within 5 years	1,185	0	0	1,185	1,130	0	0	1,130
Net obligations under Finance Leases due after 5 years	2,589	0	0	2,589	3,003	0	0	3,003
Net obligations under PPP/PFI Contracts due within 2 years	851	0	0	851	786	0	0	786
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	3,010	0	0	3,010	2,775	0	0	2,775
Net obligations under PPP/PFI Contracts due after 5 years	33,607	0	0	33,607	34,693	0	0	34,693
Total Payables due after more than one year	41,601	0	0	41,601	42,718	0	0	42,718
TOTAL PAYABLES	143,708	1,095	(882)	143,921	143,514	1,027	(847)	143,694
WGA Classification								
NHSScotland	7,578			7,578	6,572			6,572
Central Government Bodies	25,475			25,475	22,814			22,814
Whole of Government Bodies	7,558			7,558	12,728			12,728
Balances with NHS Bodies in England and Wales	1,160			1,160	899			899
Balances with bodies external to Government	101,937			101,937	100,501			100,501
Total	143,708			143,708	143,514			143,514
Borrowings included above comprise:								
Finance Leases	4,464			4,464	4,776			4,776
PFI Contracts	38,254			38,254	38,975			38,975
	42,718			42,718	43,751			43,751
The carrying amount and fair value of the non-current borrowings are as follows :								
Carrying amount								
Finance Leases	4,133			4,133	4,464			4,464
PFI Contracts	37,468			37,468	38,254			38,254
	41,601			41,601	42,718			42,718
The carrying amount of payables are denominated in Pound Sterling	143,708	1,095	(882)	143,921	143,514	1,027	(847)	143,694

GRAMPIAN HEALTH BOARD

13. PROVISIONS

	NHS GRAMPIAN				CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2019	7,512	95,069	48,153	150,734	5,223	5,223	155,957
Arising during the year	780	14,553	7,544	22,877	4,277	4,277	27,154
Utilised during the year	(462)	(7,749)	0	(8,211)	(2,921)	(2,921)	(11,132)
Unwinding of discount	376	0	0	376	0	0	376
Reversed unutilised	(50)	(2,836)	0	(2,886)	(527)	(527)	(3,413)
At 31 March 2020	8,156	99,037	55,697	162,890	6,052	6,052	168,942

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows to 31 March 2020

	NHS GRAMPIAN				CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
Payable in one year	482	13,523	9,469	23,474	4,244	4,244	27,718
Payable between 2 - 5 years	1,924	85,513	33,418	120,855	1,808	1,808	122,663
Payable between 6 - 10 years	1,923	0	2,785	4,708	0	0	4,708
Thereafter	3,827	1	10,025	13,853	0	0	13,853
Total as at 31 March 2020	8,156	99,037	55,697	162,890	6,052	6,052	168,942

PRIOR YEAR

	NHS GRAMPIAN				CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771
Arising during the year	2,555	9,488	9,965	22,008	3,819	3,819	25,827
Utilised during the year	(459)	(2,990)	(2,851)	(6,300)	(3,573)	(3,573)	(9,873)
Unwinding of discount	275	0	(132)	143	0	0	143
Reversed unutilised	(196)	(2,035)	(7,985)	(10,216)	(1,695)	(1,695)	(11,911)
At 31 March 2019	7,512	95,069	48,153	150,734	5,223	5,223	155,957

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows - to 31 March 2019

	NHS GRAMPIAN				CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
Payable in one year	445	17,946	9,512	27,903	4,941	4,941	32,844
Payable between 2 - 5 years	1,776	77,123	32,800	111,699	282	282	111,981
Payable between 6 - 10 years	1,807	0	2,733	4,540	0	0	4,540
Thereafter	3,484	0	3,108	6,592	0	0	6,592
At 31 March 2019	7,512	95,069	48,153	150,734	5,223	5,223	155,957

GRAMPIAN HEALTH BOARD

13. PROVISIONS (cont)

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of negative 0.5% (2018/19 positive 0.29%) in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

Charitable Endowment Funds

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

Clinical and Medical

The Board holds a provision to meet costs of outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for the gross cost of settlement awards, legal expenses and third party costs discounted by the Treasury discount rate of negative 0.75% in real terms (2018/19 negative 0.75%). The impact of this provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS*).

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

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

2018/19 £000's		Note	2019/20 £000's
95,069	Provision recognising individual claims against the NHS Board at 31 March (**)	Note 13	99,037
(93,726)	Associated CNORIS receivable at 31 March	Note 9	(103,762)
48,153	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 13	55,697
49,496	Net Total Provision relating to Clinical Negligence and Other Risks at 31 March		50,972

Notes:

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

** The increase in provision compared to the prior year relates mainly to additional claims received during the year.

GRAMPIAN HEALTH BOARD

14. CONTINGENT LIABILITIES AND ASSETS

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

	2019/20	2018/19
	£000	£000
CONTINGENT LIABILITIES*		
Clinical and medical compensation payments	18,056	16,998
Employers Liability payments	5	11
CONTINGENT ASSETS**		
Clinical and medical compensation payments	17,524	15,800

*The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 13, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium risk of NHS Grampian having to make settlement.

**The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in note 13 above.

The following unquantified contingent liabilities existed at the Balance Sheet date :

There are also further claims for clinical negligence and employer's liability against NHS Grampian that the Central Legal Office of the Scottish Government Health Directorates estimates that there is a low risk of NHS Grampian having to make a settlement.

NHS Grampian operates services from a number of leased premises which carry an obligation for the costs of dilapidation of the premises on expiry of the lease term. All these premises have an unexpired lease term of five years or more. The nature and extent of the dilapidation and therefore the associated liability cannot be quantified until the lease is close to expiry.

Provision for paid as if at work claims is based on an estimate of the costs of potential claims from former employees. Additional liabilities may arise if more claims than estimated are lodged. Due to uncertainty, the amount cannot be estimated with reasonable accuracy.

GRAMPIAN HEALTH BOARD

15. Commitments

The Board has the following Commitments relating to investment in infrastructure which have not been provided for in the accounts :

	2019/20 £000	2018/19 £000
Contracted		
Royal Cornhill Hospital Ligature Reduction	2,256	1,858
Aberdeen Royal Infirmary Oxygen Resilience	0	161
Child and Adolescent Mental Health Services Relocation	0	527
Royal Cornhill Hospital Kitchen Flooring	0	90
Baird & Anchor - Stage 3 Enabling Works & Fees	302	2,111
Elective Care Centre	284	178
Denburn and Northfield Health Centre Replacement	53	166
Cyclotron Replacement	647	1,557
Fluoroscopy Replacement	0	444
Renal Dialysis Vans	0	73
Pharmacy Robot Replacement	308	0
Cardiac Catheter Labs	2,025	0
Dr Gray's Ward 7	919	0
Dr Gray's Renal	494	0
Energy Centre BMS	59	0
Fire Safety Works	58	0
Electrical Works	53	0
Peterhead Lift Replacement	90	0
External Building Fabric	66	0
Loading Bay Duct	90	0
Labs Array Scanner	111	0
Other Minor Equipment Replacement	102	0
Total	7,917	7,165
Authorised but not Contracted		
Baird & Anchor	208,242	149,747
Greenspace	1,064	0
Elective Care	48,557	54,858
Denburn & Northfield Health Centre Replacements	7,655	7,812
Brachytherapy	773	0
Relocate Glen O Dee Water Supply	0	264
Cyclotron Replacement	0	1,895
Total	266,291	214,576

In addition to the above NHS Grampian have the following key contractual commitments to deliver essential infrastructure :-

- In January 2019, following a competitive tendering process, NHS Grampian selected Abbot Laboratories as the preferred bidder for a managed services contract supporting essential analytical functions within the Laboratories Medicines Unit. The contract was finalised in November 2019 and implementation, including enabling works is progressing in line with plan. Haematology became fully operational in April 2020. Clinical Biochemistry, Virology, Microbiology and Pathology will go live in stages throughout the year with all services expected to be fully operational by March 2021. The contract is expected to cost in the region of £50 million over a 10 year term and includes renewal of all critical equipment, periodic technical refresh of the equipment base, ongoing servicing and maintenance and supply of all consumables and reagents over a term of 10 years.

Financial Guarantees, indemnities and letter of comfort

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

GRAMPIAN HEALTH BOARD

16. COMMITMENTS UNDER LEASES

Operating Leases

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

Obligations under operating leases comprise:	2019/20 £'000	2018/19 £'000
Land		
Not later than one year	223	223
Later than one year, not later than 2 years	223	223
Later than two year, not later than five years	670	670
Later than five years	1,262	1,486
Total	2,378	2,602
Buildings		
Not later than one year	505	533
Later than one year, not later than 2 years	471	515
Later than two year, not later than five years	1,310	1,376
Later than five years	1,879	2,312
Total	4,165	4,736
Other		
Not later than one year	851	919
Later than one year, not later than 2 years	789	859
Later than two year, not later than five years	1,932	2,048
Later than five years	11,081	11,708
Total	14,653	15,534
Amounts charged to Operating Costs in the year were:		
Hire of equipment (including vehicles)	2,659	2,568
Other operating leases	1,326	1,297
Total	3,985	3,865

Finance Leases

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

Obligations under Finance leases comprise:

Buildings

Rentals due within one year	910	898
Rentals due between one and two years (inclusive)	919	910
Rentals due between two and five years (inclusive)	2,789	2,768
Rentals due after five years	5,813	6,753
	<u>10,431</u>	<u>11,329</u>
Less interest element	(5,967)	(6,553)
	<u>4,464</u>	<u>4,776</u>

This total net obligation under finance leases is analysed in Note 12 (Payables).

GRAMPIAN HEALTH BOARD

17. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - ON BALANCE SHEET

Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14 November 2013, Woodside Fountain Health Centre effective 28 June 2014, Forres Health and Community Care Centre effective 9 August 2014, the Energy Centre at Inverurie effective 16 January 2018, Foresterhill Health Centre effective 8 May 2018 and the Inverurie Health and Community Care Hub effective 23 July 2018. Under the terms of the Hub agreements NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur charges for occupancy, maintenance and running costs. The net book value of assets financed under the HUB initiative is disclosed in note 7(a) and 7(c).

Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements; imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

	2019/20 £'000	2018/19 £'000
Gross Minimum Lease Payments		
Rentals due within 1 year	3,653	3,638
Due within 1 to 2 years	3,657	3,653
Due within 2 to 5 years	11,034	11,001
Due after 5 years	58,804	62,497
Total	77,148	80,789
Less Interest Element		
Rentals due within 1 year	(2,867)	(2,917)
Due within 1 to 2 years	(2,806)	(2,867)
Due within 2 to 5 years	(8,024)	(8,226)
Due after 5 years	(25,197)	(27,804)
Total	(38,894)	(41,814)
Present value of minimum lease payments		
Rentals due within 1 year	786	721
Due within 1 to 2 years	851	786
Due within 2 to 5 years	3,010	2,775
Due after 5 years	33,607	34,693
Total	38,254	38,975
Service elements due in future periods		
Rentals due within 1 year	1,226	1,208
Due within 1 to 2 years	1,255	1,226
Due within 2 to 5 years	3,906	3,834
Due after 5 years	24,729	26,055
Total	31,116	32,323
Interest charges	2,917	2,675
Service charges	1,194	1,114
Principal repayment	721	614
Other charges (Contingent rents)	1	14
Total	4,833	4,417

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18. PENSION COSTS

	2019/20 £000	2018/19 £000
Pension cost charge for the year	93,203	63,083
Additional Costs arising from early retirement	0	0
Provisions included on the Statement of Financial Position	8,156	7,512

NHS Grampian participates in the NHS Pension scheme (Scotland) which is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions, with reference to the most recent funding valuation undertaken by the scheme actuary as at 31 March 2016, is set at 20.9% of pensionable pay from 1 April 2019. The employee rate is variable and will provide an actuarial yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme.

The Scheme is an unfunded multi-employer defined benefit scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19. Details of the most recent scheme accounts published by the Scottish Public Pensions Agency (SPPA) can be accessed at the following [link](#).

NHS Grampian has no liability for other employers obligations to the multi-employer scheme and as the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

For 2019/20, normal employer contributions of £93.2 million were payable to the SPPA (2018/19 £63.1 million) at the rate of 20.9% of pensionable salaries (2018/19 14.9%). The total contributions made to the scheme, across all employers, for 2018/19 were £791.8 million (2018/19 £768.7 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2018/19 was 8% (2017/18 7.9%). During 2019/20 NHS Grampian incurred no additional costs arising from the early retirement of staff (2018/19 nil). Provisions amounting to £8.2 million (2018/19 £7.5 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2019-20 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The previous NHS Superannuation Scheme (Scotland)

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

18. PENSION COSTS (cont)

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

The 1995 Section

Benefits are calculated on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th 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 on a tiered basis, dependent on earnings, of between 5.2% and 14.7% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

The 2008 Section

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

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1 st March 2013	1%	1%	2%
1 st October 2018	3%	2%	5%
1 st October 2019	5%	3%	8%

Pension members can chose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

GRAMPIAN HEALTH BOARD

19. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit/loss £'000	Total £'000
At 31 March 2020												
Assets per Statement of Financial Position												
Investments	0	432	432	0	41,826	41,826	0	0	0	0	42,258	42,258
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	15,901	0	15,901	153	0	153	(882)	0	(882)	15,172	0	15,172
Cash and cash equivalents	2,798	0	2,798	1,935	0	1,935	0	0	0	4,733	0	4,733
	18,699	432	19,131	2,088	41,826	43,914	(882)	0	(882)	19,905	42,258	62,163

PRIOR YEAR

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019												
Assets per Statement of Financial Position												
Investments	0	443	443	0	44,247	44,247	0	0	0	0	44,690	44,690
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	14,828	0	14,828	27	0	27	(847)	0	(847)	14,008	0	14,008
Cash and cash equivalents	2,116	0	2,116	2,350	0	2,350	0	0	0	4,466	0	4,466
	16,944	443	17,387	2,377	44,247	46,624	(847)	0	(847)	18,474	44,690	63,164

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
At 31 March 2020			
Liabilities per Statement of Financial Position			
Finance lease liabilities	4,464	0	4,464
HUB Service Concession Liabilities	38,254	0	38,254
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	67,431	1,095	67,431
	110,149	1,095	110,362

PRIOR YEAR

	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
At 31 March 2019			
Liabilities per Statement of Financial Position			
Finance lease liabilities	4,776	0	4,776
HUB Service Concession Liabilities	38,975	0	38,975
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	69,382	1,027	69,382
	113,133	1,027	113,313

GRAMPIAN HEALTH BOARD

19. FINANCIAL INSTRUMENTS (cont)

b) FINANCIAL RISK FACTORS

Exposure to Risk

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

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

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

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

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

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

- **Credit Risk**

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

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

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

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

- **Liquidity Risk**

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

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

Liquidity Risk

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2020				
PFI Liabilities	3,653	3,657	11,034	58,804
Finance lease liabilities	910	919	2,789	5,813
Trade and other payables excluding statutory liabilities	67,644	0	0	0
Total	72,207	4,576	13,823	64,617

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2019				
PFI Liabilities	3,638	3,653	11,001	62,487
Finance lease liabilities	898	910	2,768	6,753
Trade and other payables excluding statutory liabilities	69,562	0	0	0
Total	74,098	4,563	13,769	69,240

GRAMPIAN HEALTH BOARD

19. FINANCIAL INSTRUMENTS - continued

b) FINANCIAL RISK FACTORS - continued

- **Market Risk**

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

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

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

ii) **Foreign Currency Risk**

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

iii) **Price Risk**

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

- **FAIR VALUE ESTIMATION**

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

The carrying value of Stocks and Bonds (relating to charitable endowment funds) is market value. The inputs to the valuation technique used to measure the fair value of all Stocks and Bonds as disclosed in Note 10 have been assessed as level 1 in the fair value hierarchy defined in IFRS 13 i.e. they are based on quoted bid prices in an active market for identical assets and liabilities. No Stocks or Bonds have been valued using level 2 or 3 inputs in the current or prior year.

20. THIRD PARTY ASSETS

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

	2018/19	Gross Inflows	Gross Outflows	2019/20
	£000	£000	£000	£000
Monetary amounts including bank balances	327	191	(318)	200

GRAMPIAN HEALTH BOARD

21. RELATED PARTIES

Integration Joint Boards (IJBs)

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJBs), Moray, Aberdeen City and Aberdeenshire, are established in Grampian with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive Directors of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The financial results of each IJB are consolidated, as a Joint Venture, into the financial statements of NHS Grampian.

NHS Grampian had the following transactions with each IJB in 2019/20:-

- Aberdeen City – Income £239.4m, expenditure £236.4m and a retained creditor balance of £2.6m. (2018/19 income £225.3 million, expenditure £228.3 million and a retained creditor balance of £8.1 million).
- Aberdeenshire – Income £221.6 million, expenditure £223.3 million and a retained creditor balance of £3.1 million. (2018/19 Income £209.8 million, expenditure £211.7 million and a retained creditor balance of £1.9 million).
- Moray – Income £92.8 million, expenditure £93.2 million and a retained creditor balance of £0.6 million. (2018/19 Income £87.4 million, expenditure £88.5 million and a retained creditor balance of £1.8 million).

NHS Grampian Endowment Funds

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2020 was £36.767 million (2018/19 £40.374 million). During the year payments totalling £1.845 million (2018/19 £2.782 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities including infrastructure improvement for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.152 million (2018/19 £0.236 million) from NHS Grampian mainly from income for research activities.



Grampian Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006