



Grampian Health Board **Annual Report and Accounts** **2017/2018**

GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2018

GRAMPIAN HEALTH BOARD

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GRAMPIAN HEALTH BOARD

ANNUAL REPORT

PERFORMANCE REPORT

a) OVERVIEW

1. Statement from the Chief Executive

As we report on another challenging year for NHS Grampian (the Board), I think it's very fitting for me to express my thanks and appreciation to all our staff and partners for their fantastic work in sometimes the most difficult of circumstances.

Once again, the Board has successfully met its key financial targets for the year, spending c£1.2bn on providing the full range of health services to the population of Grampian and providing healthcare support and some specialist clinical services to other NHS Boards within the North of Scotland. Within this overall resource envelope the Board achieved efficiency savings, totalling £27.7m.

This achievement would not be possible without the commitment that exists within the Board to the partnership working philosophy. The support from the Grampian Area Partnership Forum and Professional Clinical Advisory structure has been invaluable in helping us develop workable solutions to successfully meet our challenges throughout the year. It is the professionalism and commitment of our staff that made our achievements possible and underpinned the delivery of high quality, safe and effective clinical services for our patients.

There have been many highlights during the year and I'd like to highlight one of them, which was the development of the "Welcome Wards" initiative right the way across Grampian. It really is a remarkable development. The biggest shake-up to visiting in hospitals for a generation and it really puts the patient at the centre of making the decisions about who visits and when.

2017/18 has also seen real progress with some of our major capital investment projects. The Community Maternity Unit at Peterhead opened in March 2018, the new Health Centre at Foresterhill opened on 14th May 2018, the Inverurie Health and Care Hub is due to open in August 2018 and design work is well advanced for the new Baird Family Hospital and the Anchor Centre, with construction of enabling works due to start on site in October 2018. We are also fortunate in Grampian to benefit from the generosity and charitable giving of local people. The new Multi Storey Car Park at Aberdeen Royal infirmary, funded by a charitable donation from the Wood Foundation, opened in December 2017. Work is also well underway to complete the new Renal Dialysis Unit in Stonehaven, a fantastic example of local community involvement with over £1 million raised locally, through charitable donations to realise the dream and the ambition of having renal dialysis services in Stonehaven.

Looking to the future there's an increased focus on working across health board boundaries and here in the north of Scotland we're driving forward collaboration of six NHS boards with all Boards reaching agreement on a draft Regional Delivery Plan which was submitted to the Scottish Government for approval in March 2018. We're increasingly working closely with our colleagues at Tayside, in Highland and the three Island Boards; and really trying to improve the services that we provide for patients all through the north of Scotland. Recent developments have seen my own role and others in NHS Grampian's Senior Leadership team expanded, on a temporary basis, to provide additional management support to NHS Tayside during the first quarter of 2018/19.

The sustainability of services to our ageing population remains an ongoing challenge, both in terms of financial resources and recruitment of a suitably skilled clinical workforce. We continue to work with our partners in the Integration Joint Boards (IJB's) to develop new and innovative ways to improve patient flow and reduce unscheduled admissions. Through the IJB's we have continued to support investment in Primary, Community and Social Care, in both revenue and capital terms, strengthening the multidisciplinary team approach and encouraging greater involvement of patients and the population as a whole to take responsibility for improving their health. Recognising staffing as a key challenge, many of our recent initiatives involve new and expanded clinical roles such as practice pharmacists, triage nurses, advanced nurse practitioners and physician associates in both community and hospital settings. Additionally we're progressing a number of innovative recruitment methods including attracting candidates from further afield, outside the UK and working very closely with our University partners in order to develop and extend the roles and the working of our existing staff.

Finally, I was delighted to see the Choose Life team win two different categories at the Scottish Health Awards ceremony earlier in the year. This is a wonderful example of effective partnership working across a number of statutory bodies, making a real difference for those who are at risk of taking their own lives.

Malcolm Wright
Chief Executive

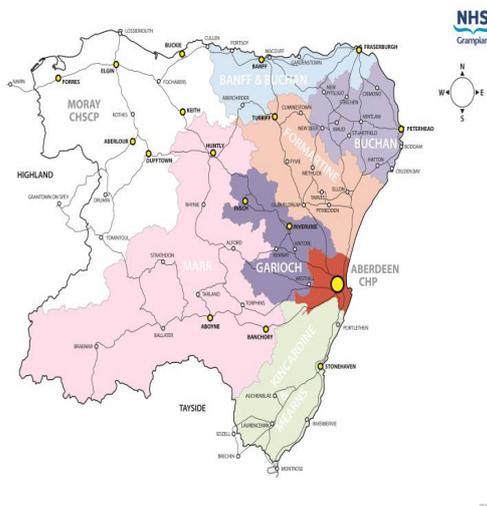
GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

2. Background and Principal Activities

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



14,500 directly employed staff and a range of independent primary care practices (74 General Medical, 132 Pharmacy, 90 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 2016/17 we treated 97,000 individual in patient cases, 46,000 day cases, 50,000 day patients, 436,000 patients attended our specialist out-patient clinics and our accident and emergency departments treated 152,000 people.

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 (IJB's) 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 IJB's are legally constituted cross sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities. Executive and Non Executive Directors of the NHS Grampian Board are members of the Integration Joint Boards which will provide the future strategic direction for the integration of adult health and social care.

3. Performance

NHS Grampian has a performance framework through which a culture of continuous performance improvement is supported. 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 patients; and
- Developing and empowering our staff.

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

The Board's performance measures focus on the Care Quality Commission's characteristics of a high performing organisation which demonstrate that the system is Safe, Well Led, Effective, Responsive and Caring. Within this context we use a range of national and local measures to encourage and track improvement. These include the key performance indicators used by the Scottish Government Health and Social Care Directorates (SGHSCD) to hold Boards to account, known as Local Delivery Plan standards.

During 2017/18 the Board has successfully met its financial targets while continually striving to deliver a safe and effective service within available resources.

The Board's overall performance should be considered in the context of a continued rise in activity 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-care, 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.

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

In terms of the Board's capacity to meet rising demand we continue to make every attempt to address the challenges arising from factors such as theatre nurse capacity, winter pressures on available beds and critical care capacity.

Performance against the key national clinical treatment targets, using the most up to date published information available at the time of writing, is summarised below :-

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 February 2018 was 93.6% (31 March 2017 : 96.0%), above the Scotland wide rate of 92.6% (March 2017 : 94.1%).
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	There were 118 people delayed at the February 2018 census date, down 7.8% from January. A smaller decrease of 2.8% was recorded across Scotland. In February patients spent 3751 bed days delayed, a decrease of 14.6% since January. In 2016/17 the monthly average bed days delayed was 4063 and in 2015/16 5554.
12 week in patient / daycase Treatment Time Guarantee (TTG)	At the end of December 2017 68.5% had been seen within the 12 week target, below the 80.4% seen in Scotland.
12 weeks for first outpatient appointment	As at end of December 2017 41.9% patients had been waiting more than 12 weeks, higher than the Scottish position of 29.9%.
Cancer Access Times: 31 days from decision to treat (95%) and 62 days from urgent referral with suspicion of cancer (95%)	In the quarter to December 2017 87.3% of patients were treated within 31 days and 80.4% of patients were seen within 62 days of referral. Both lower than the Scotland position of 94.5% and 87.1% respectively.

The Board has fully assessed the demand and capacity challenges impacting on access time performance and outturn is within anticipated ranges submitted to Scottish Government. Action continues to be taken to enhance capacity within resources available. There is also a focus on improving efficiency and transforming services. The implementation of a clinically led surgical classification system was progressed during the year to ensure those in most need are treated first. Action plans have been prepared for individual cancer pathways.

The Board's detailed performance against the full range of performance measures is reported on pages 11-21 below.

4. Risk and Uncertainty

The Board's Local Delivery 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 key challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services and a high standard of operational performance, whilst remaining in financial balance and achieving our financial targets. Key identified risks include the impact of changing demographics with both overall population numbers and the proportion of elderly in the population rising year on year and this trend is forecast to continue. The strategic Risk Register is summarised in the Governance Statement on page 32.

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

Moving forward the Board will continue to build on the many positive changes and initiatives achieved in recent years and will strengthen partnerships with the local authorities and the third sector. The Integration Joint Boards provide a focus for effective engagement and delivery of our clinical strategy through a shift in the balance of care to community based services

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

a) OVERVIEW (cont)

5. 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.

A copy of the strategy and details of the implementation plan can be accessed at the following [link](#).

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 National Clinical Strategy and the Chief Medical Officer's reports on Realistic Medicine are a significant influence on the Grampian Clinical Strategy and feature in the underpinning implementation plan

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position

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 56, 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 in to the main Board accounts. Voting membership of each of the IJB's 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 2017/18 £000's	Consolidated Net assets 2017/18 £000's	Consolidated Net assets 2016/17 £000's
Grampian Health Board	383,665	383,665	365,805
Grampian Health Board Endowment Funds**	37,227	37,227	43,016
Aberdeen City IJB **	8,307	4,154	5209
Aberdeenshire IJB ***	0	0	5
Moray IJB ****	776	388	1352
Consolidated Net Assets	429,975	425,434	415,387

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS
1. Financial Performance and Position (cont)

Grampian Health Board Endowment Funds

Grampian Health Board Endowment Funds (the Fund) net assets of £37.227 million represent £13.527 million unrestricted and £23.7 million restricted funds (2016/17: £43.016 million, £17.515 million unrestricted and £25.501 million restricted). The prior year figures have been restated to reflect a change in accounting policy, in line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015), to provide for approved, but not legally committed, grants in the year approval is granted. The Endowment Funds net assets in 2016/17 reduced by £2.996 million being the provision created for projects with approval to proceed but for which expenditure had not materialised at 31 March 2017. £0.256 million related to projects approved in 2016/17 and £2.74 million related to the unspent balance on projects approved in 2015/16.

The net adverse movement in funds of £5.789 million for the year (2016/17: favourable £4.457 million) relates to an in-year deficit from charitable activities of £5.069 million (2016/17: £1.933 million) and a net loss on revaluation of the investment portfolio of £1.319 million (2016/17: net gain of £3.823 million) mainly due to the uncertain economic climate, partly offset by a net gain from the disposal of investments of £0.599 million (2016/17: £2.567 million). The in-year deficit on charitable activities was the result of the Trustees, over recent years, ensuring the effective use of available funds in line with the Fund's objectives.

During the year, the Fund committed a range of grant payments totalling £9.889 million (2016/17: £6.068 million) of which £3.887 million (2016/17: £4.392 million) was paid to Grampian Health Board to enable a range of research and other activities for the benefit of patients. 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 2017/18 annual report and accounts can be viewed at www.nhsgcharities.com.

Aberdeen City Integration Joint Board

Aberdeen City IJB reported an overall deficit of £2.111 million for the year (2016/17: surplus of £10.418 million), reducing the retained reserves carried forward to £8.307 million. The in year deficit was the result of the planned use of transformational funding carried forward from the prior year to support closer integration through the development of alternative models of care in the community. The retained surplus will be fully utilised in future years for this purpose.

Examples of recent joint initiatives include :-

- Implementing acute care at home model;
- Focusing on locality needs and solutions;
- Implementing integrated neighbourhood care in Aberdeen model;
- Increasing availability of care, particularly intermediate care;
- Increased use of technology enabled care and responder services;
- Targeted support for carers;
- Continuation of the Silver City project – a self management approach to tackling social isolation for the older population at risk of hospital admission; and
- Increased pharmacy support for GP practices

A copy of the 2017/18 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS
1. Financial Performance and Position (cont)

Aberdeenshire Integration Joint Board

Aberdeenshire IJB reported an overall deficit of £0.02 million for the year (2016/17: surplus of £0.009 million) absorbing the entire retained reserve with no balance available to be carried forward. To achieve this position a total additional funding contribution of £3.465 million was agreed by the partners in 2017/18 (£1.990 million from NHS Grampian and £1.475 million from Aberdeenshire Council).

Examples of recent joint initiatives include :-

- Ongoing implementation of the Reshaping Care at Home Programme including the Virtual Community Ward bringing greater collaborative working locally and supporting over 600 people to stay at home;
- Early implementation of Let's think ahead;
- Implementation of new Community Hospital Strategy and Anticipatory care Strategy;
- As part of wider work on falls prevention, participation in a national project to provide alternative support options for people who fall at home and sustain an injury but do not require hospital admission;
- Development of Aberdeenshire Responder Care at Home Service which provides access to care responders 24 hours a day; and
- Implementation of Enabling Health and Wellbeing programme – Improving the experience of end of life care.

A copy of the 2017/18 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

Moray Integration Joint Board

Moray IJB reported an overall deficit of £1.928 million for the year (2016/17: surplus of £2.704 million) reducing the retained reserve carried forward to £0.776 million. The in year deficit was the result of the planned use of transformational funding carried forward from the prior year to support closer integration through the development of alternative models of care in the community. The retained surplus will be fully utilised in future years for this purpose.

Examples of recent joint initiatives include :-

- Reshaping Care at home programme including Jubilee Cottages in Elgin as halfway homes for people ready to leave hospital so they can work on regaining independence in a homely setting;
- Continuation of roll out of creative self directed support options;
- An increase in the delivery and flexibility of respite provision based on local demand;
- Increased range of improvement programmes including modernisation of primary care, out of hours redesign, a focus on dementia and older people in acute care;
- In partnership with Hanover Scotland and Moray Council, the development of Varis Court to provide tenanted flats and 'close to nursing home care' for older people, including those with dementia; and
- Pharmacy support for GP practices.

A copy of the 2017/18 Moray IJB annual report and accounts can be viewed at the following [link](#)

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

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 the ongoing activity and net capital investment.

Health Boards are required to contain their net expenditure within these limits, and report on any variation from the limits as set. Grampian Health Board 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	1,004,590	1,003,568	1022
Non-Core Revenue Resource Limit	41,221	41,221	-
Core Capital Resource Limit	17,866	17,866	-
Non-Core Capital Resource Limit	11,273	11,273	-
Cash Requirement	1,072,349	1,072,349	-

Memorandum for In Year Out-turn	£000
Reported surplus in 2017/18	1,022
Brought forward surplus from previous financial year	(1,031)
Deficit against in year total Revenue Resource Limit	(9)

A small deficit of £0.009 million was recorded for the year. This is absorbed by the surplus of £1.031 million brought forward from the prior year leaving a net retained surplus of £1.022 million which will be carried forward, through agreement with the SGHSCD, to support the Board's financial position in 2018/19.

The efficiency savings target of £27.7 million for the year was achieved in full through the continued implementation of a range of initiatives including reduced energy costs from investment in more efficient infrastructure, property rationalisation, focused procurement activity to reduce the unit costs of consumables, introduction of biosimilar drugs as alternative treatment regimes and productivity improvements through investment in technology and redesign of services to enable reduced staffing levels in back office functions and redeployment of clinical staff to areas of greatest need. Recurring savings amounted to £18.25 million and non-recurring of £9.45 million.

The provision for bad and doubtful debts is quantified at £1.7 million (2016/17 £0.7 million) and is disclosed under trade and other receivables in note 9 on page 78. The increase of £1m over the previous year relates to the proportion of charges relating to road traffic accidents unlikely to be recovered. In prior years this was included as an offset against the value of outstanding invoices.

At the year end the Board provided £50 million for legal obligations arising from clinical negligence and other employer liability claims (2016/17 £45.1 million). The increase relates mainly to a number of new claims received during the year. Details are provided in note 13 on page 83.

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position (cont)

Impact of Integration Joint Boards (IJBs) on Health Board Accounts - pre consolidation

The three IJBs in Grampian (Aberdeen City, Aberdeenshire and Moray) are established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 with full delegation of functions and resources to enable integration of primary and community health and social care services.

Each IJB is a separate legal organisation and acts as principal in its own right. 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 £505.582 million (2016/17 £505.877 million), income of £507.708 million (2016/17 £498.280 million) and a net retained reserve relating to IJB directed health services of £4.9 million (2016/17 £7.6 million). The expenditure is included in note 3 on page 70 and income in note 4 on page 71.

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 2018. 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 2018. 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 £30.788 million (2016/17: £0.146 million). The net value of impairment on those assets subject to a downward movement in valuation, after utilising any available revaluation reserve, was £9.835 million (2016/17: £8.912 million) and this was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure. The SGHSCD have provided additional non recurring funding to compensate for this charge.

3. Infrastructure and Non Current Assets

The Board delivered a programme of infrastructure investment totalling £51.601 million during 2017/18. This overall programme was resourced using a combination of capital funding from the SGHSCD (£29.139 million; split core CRL £17.866 million and non-core CRL £11.273 million, see note 7d), income from donations (£10.384 million; split capital £9.963 million and revenue £0.421 million), revenue budgets made available to support estates maintenance (£7.625 million) and proceeds from asset disposals (£4.453 million; split £2.258 million net book value and £2.195 million profit on disposal).

The Capital Resource Limit (CRL) for the year included an agreed carry forward of £2m arising from the sale of surplus land on the Foresterhill Site and an underspend on the backlog maintenance project at ARI in 2016/17, to meet planned commitments in 2017/18.

Major investments during the year include:

- Ongoing design and enabling works in support of the Baird Family Hospital and Anchor centre (£1.6 million);
- Planning and development costs in support of the Elective Care services project (£0.6m);
- Work in progress to develop a Community Renal Dialysis Unit at Kincardine Community Hospital (£1.1m), funded entirely through local charitable contributions. The unit is expected to become operational during the summer of 2018;
- Completion of work to establish a Community Maternity Unit and improvements to the in-patient ward accommodation at Peterhead Community Hospital (£1.2m). The unit became operational in March 2018;
- Investment of £0.6m to support development of Primary care premises (£0.5m to purchase land adjacent to Ellon Health Centre and £0.1m on various premises improvement schemes);

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

3. Infrastructure and Non Current Assets (cont)

- Investment of £12.9 million to progress our agreed programme to reduce high and significant risk backlog maintenance across our estate including refurbishment of the Neurosciences ward, which completes the refurbishment of all in patient accommodation at ARI, refurbishment of accommodation in Phase 1 at ARI to enable relocation of the Eye Out Patient Department, commencement of work in the basement levels in Phase 2 of ARI to ensure compliance with Fire and other statutory regulations, commencement of the programme of ligature reduction works at Royal Cornhill Hospital and a range of other essential backlog maintenance and statutory compliance issues at a number of other locations across the estate;
- Investment during the year of £12.3 million in replacement of essential plant, IT and medical equipment.
- Completion of work on the multi storey car park at Aberdeen Royal Infirmary (£7.5 million) which was funded by a charitable donation from the Wood Foundation. The car park became operational in December 2017;
- Investment of £2.5m to progress various minor schemes including Fluoroscopy replacement and relocation, mortuary extension, fit out of the Aroma Café at ARI, demolition of Spynie Hospital and relocation of medical records.
- Work in progress for the replacement of Inverurie and Foresterhill Health Centres (£11.3 million), funded through the Hub initiative. Foresterhill Health Centre opened on 14th May 2018 and the Inverurie Health and Care Hub is expected to become operational in August 2018.
- Practical completion, in December 2017, of work to construct and install the various elements of upgraded energy infrastructure under an energy performance contract with a specialist private sector firm. The contract involves NHS Grampian leasing the energy infrastructure from our private sector partner who in turn are contractually committed to deliver a guaranteed reduction in energy consumption and a corresponding reduction in carbon emissions of 16%. The scheme delivered a range of energy efficiency measures at Foresterhill, Dr Grays and Royal Cornhill Hospitals.

Details of all Hub (PPP) schemes are included in note 17.

4. 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 procurement fraud and cybercrime. In addition the Board agreed revised 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 2017 could potentially have been £0.4 million higher (2016/17: £0.4 million) due to incorrect claims.

5. 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.

6. 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 2017/18, the average credit taken was 8 days (2016/17: 9 days). In 2017/18 97% of invoices by value (2016/17 96%) and 96% of invoices by volume (2016/17 94%) were paid within 30 days. In 2017/18 94% of invoices by value (2016/17 91%) and 91% of invoices by volume (2016/17 89%) were paid within 10 days.

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS

7. 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 embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports including the following key updates on progress:

- An NHS Grampian Equality Outcomes Report 2017-2021, published in April 2017;
- An NHS Grampian “Mainstreaming” Report for 2017-2021, published in April 2017;
- An NHS Grampian Equal Pay Monitoring Report, published in April 2017; and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2016/17.

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

During 2017/18, over 2,000 NHS Grampian staff received “face to face” Equality and Diversity Training at a level appropriate to their role in the organisation. All participants receive their own personal copy of the Human Rights Act 1998. This 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 3 years. All participants receive their own personal copy of the Police Scotland leaflet: “Human trafficking, Reading the Signs”. We also use anonymised examples.

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 2 years, special emphasis has been given to meeting the needs of New Syrian Scots, 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.

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

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS

8. Performance Indicators

The key performance indicators used by the SGHSCD to hold Boards to account are known as Local Delivery Plan standards. In addition we use a range of local measures and targets to encourage and track improvement. A full report on performance against these targets is considered at each Board meeting with a focus on measures which demonstrate that healthcare across Grampian is Safe, Well Led, Effective, Responsive and Caring. The performance report considered at each Board meeting can be accessed at the following [link](#).

Performance is also reviewed in public at an Annual Review meeting. The most recent Annual Review meeting was held on 5 October 2017 with the outcome summarised in a formal letter to the Board. The following information summarises performance against selected key indicators, using the most up to date published information available at the time of writing :-

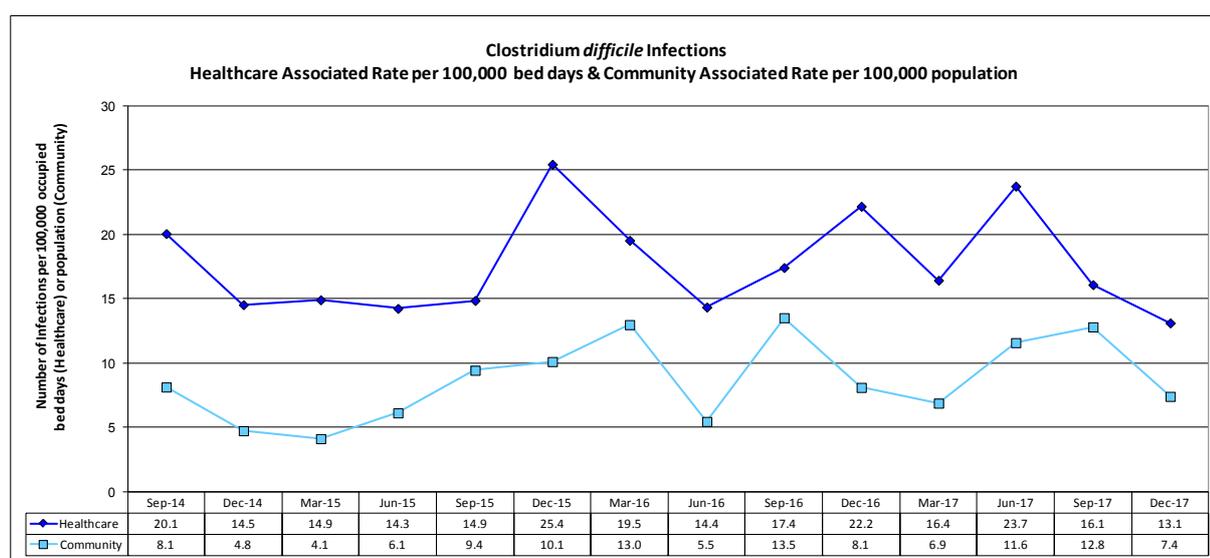
8.1 Performance against Key Targets

8.1.2 Safe

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. Performance against key indicators is summarised below:-

8.1.2 (a) Safe - Local Delivery Plan Standards

Measure	Performance
Clostridium difficile infections per 100,000 occupied bed days (OBD)	For the quarter ending December 2017 the rate of Clostridium Difficile infections in people over the age of 15 was 13.1 per 100,000 OBD healthcare associated, just below the Scotland rate of 13.7 and 7.4 per 100000 OBD community associated, just above the Scotland rate of 6.8.
Staphylococcus aureas bacteraemia (SAB) infections per 100000 acute occupied bed days	For the quarter ending December 2017 the rate of SAB infections was 16 per 100,000 OBD healthcare associated, just below the Scotland rate of 16.6 and 11.5 per 100000 OBD community associated, just above the Scotland rate of 9.7.



Overall performance against these key infection targets is closely monitored by the Clinical Governance Committee and each new case is discussed at a weekly multidisciplinary team meeting.

GRAMPIAN HEALTH BOARD

PERFORMANCE REPORT (cont)

b) PERFORMANCE ANALYSIS

8.1.2 (b) Safe - Other Performance Measures

HSMR is a measure of mortality adjusted to take account of some factors known to affect the underlying risk of death. The HSMR used in Scotland is based on all Scottish inpatient and daycase patients admitted to all specialties in hospital. The calculation takes account of patients who died within 30 days of admission and includes deaths in the community as well as hospital. If an HSMR is less than one it means the number of deaths is fewer than predicted.

Measure	Performance
Hospital Standardised Mortality Ratio (HSMR)	In the quarter ending September 2017 at ARI the HSMR was below 1, for the 10th consecutive quarter though there was a slight increase from 0.87 to 0.89. Dr Gray's recorded below 1 for the third time since December 2014 with 0.95 compared to 0.96 in the previous quarter.

8.1.3 Well Led

Measure	Performance
Deliver financial targets	NHS Grampian has successfully achieved each of the three financial performance targets for the year (see section 1 financial performance and position on page 7 above).
Sickness absence (4%)	The sickness absence rate for 2017/18 was 5.13% (see the Staffing Report on page 42 below). Although this is above the national target of 4% it compares favourably to the overall Scottish average of 5.39%.

8.1.4 Effective

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

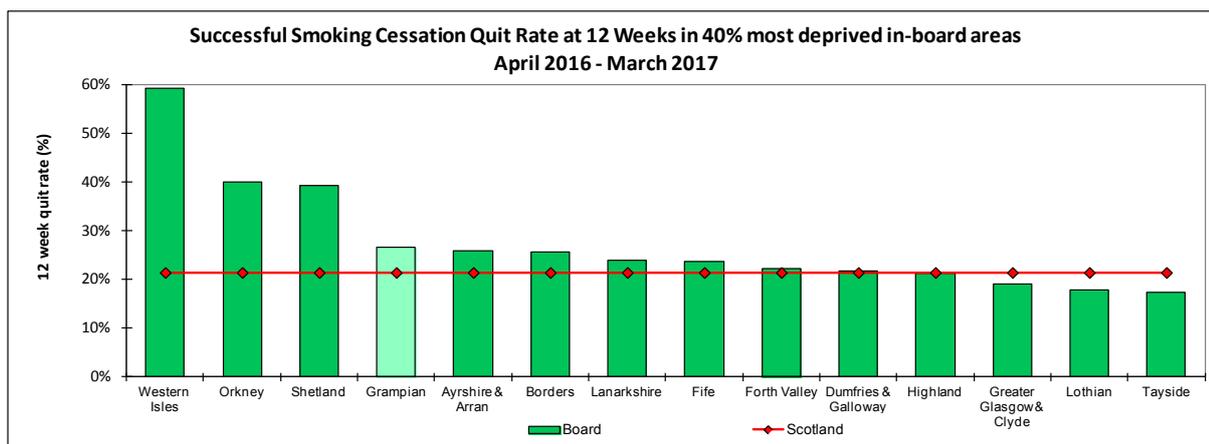
8.1.4 (a) Effective - Local Delivery Plan Standards

Measure	Performance
People diagnosed and treated in 1st stage of breast, colorectal and lung cancer (25% increase)	In Scotland, there was a 9.2% increase in the percentage of people diagnosed at stage 1 for breast, colorectal and lung cancer (combined) between the baseline (calendar years 2010 & 2011 combined) and Year 5 (calendar years 2015 & 2016 combined). In Grampian 23.1% were diagnosed at stage one in 2015 & 2016. This is below the rate of 25.5% across Scotland but represents an improvement of 6.6% from the baseline years of 2010 and 2011 (21.7%)
People newly diagnosed with dementia will have a minimum of 1 years post-diagnostic support	The second round of national performance data for the dementia post-diagnostic LDP Standard was published in February 2018, relating to performance during the period 2015/16. 371 people were referred for dementia post diagnostic support in Grampian in 2015/16. Of those referred to dementia post-diagnostic support in Grampian during 2015/16, 93% received one year's support as proposed in the LDP standard. This compared to 85% across Scotland.
At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation	We continue to deliver this standard in full with 86.9% booked in 2016/17 compared to 86% across Scotland.

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

8.1.4 (a) Effective - Local Delivery Plan Standards

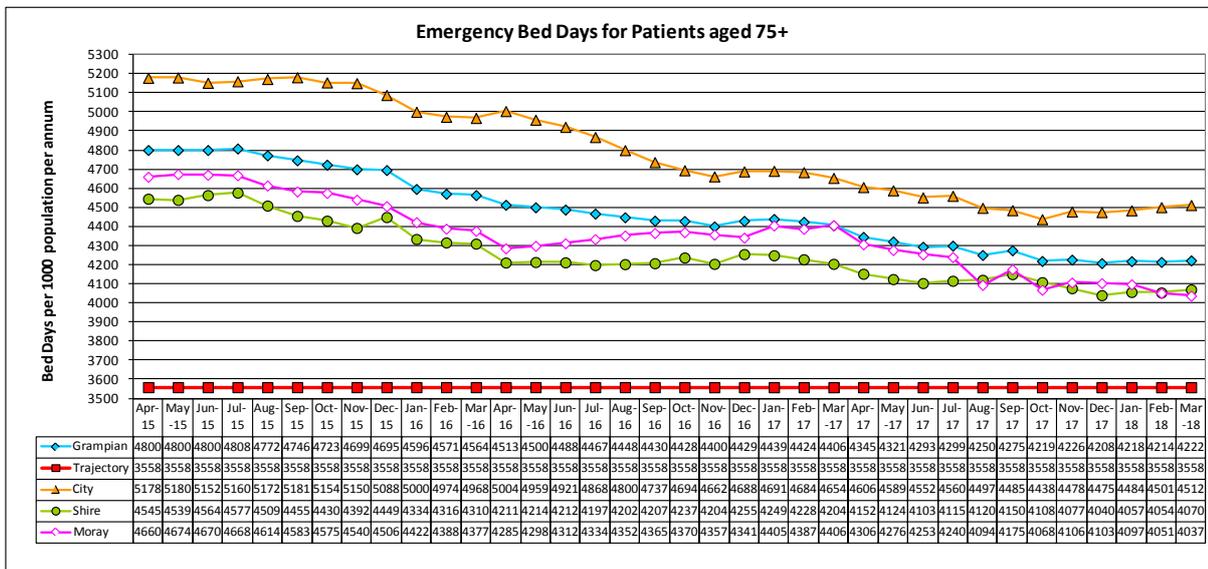
Measure	Performance
Sustain and embed alcohol brief interventions in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings.	In 2016/17 there were 7204 Alcohol Brief Interventions (ABI) carried out in Grampian. This is 8.3% of the total carried out in Scotland and represented a 4.8% decrease from 2015/16. A far greater decrease of 11% was recorded across Scotland. Grampian achieved 108% of its target for ABI delivery in 2016/17. Data for 2017/18 will be published in June 2018. Local monitoring suggests current performance is just below trajectory.
Sustain and embed successful smoking quits, at 12 weeks post quit, in the 40% of SIMD areas	NHS Grampian achieved 80% against the smoking cessation standard in 2016/17. The LDP target set by Scottish Government for 2017/18 was 1149 twelve week quits from our 40% most deprived areas. This is equivalent to 2.2% of the smoking population in Grampian and much higher than the target set for other Boards. We therefore set our own target of 792 twelve week quits from our 40% most deprived areas based on the national average LDP of achieving 1.5% quits of the smoking population. We are currently focusing quit activity within HMPPrison Grampian. A new smoking cessation standard is expected for 2018/19. Performance data for 2017/18 will be available in October 2018.



**GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)**

8.1.4 (b) Effective - Other Performance Measures

Measure	Performance
Breastfeeding - 46% of new-born children should be exclusively breastfed at 6-8 weeks by March 2020.	<p>A steady improvement is being delivered. 45.5% of children born in Grampian during the financial year 2016/17 were exclusively breastfed at the time of first visit. This represented an increase from 44.5% recorded in 2015/16 and was well ahead of the Scotland wide rate of 36.5%</p> <p>38.6% of children born in Grampian during the financial year 2016/17 were exclusively breastfed at the 6-8 week review. This was up from 35.2% in 2015/16 and was well ahead of the Scotland wide rate of 30.3%.</p>
Reduce the rate of emergency inpatient bed days for people aged 75 and over per 1,000 population.	<p>Emergency bed days, for over 75s have been on a downward trend since April 2015. In the year ending February 2018, there was 4214 occupied bed days per 100,000 population which was 4.7% lower than for the year ending February 2017. The reduction was greatest in Moray, at 7.7% compared to 3.9% in Aberdeen City and 4.1% in Aberdeenshire.</p> <p>The reduction in emergency admissions is due to implementation of a range of initiatives, in partnership with the Integration Joint Boards and including alternative and enhanced models of care in the community, which are targeted specifically at avoiding admission to hospital. Examples of these joint initiatives are included in the financial performance section on pages 5 and 6 above.</p>



**GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)**

8.1.5 Responsive

NHS Grampian is expected to deliver against a range of access time standards and efficiency measures. Performance against selected key indicators is summarised below. During 2017/18 we have endeavoured to deliver high quality and safe services within the resource available to us. We have worked closely with Scottish Government throughout the year with transparency in the challenges facing us. There has been considerable work undertaken at specialty level to understand the service demand from our aging population and to maximise service capacity and efficiency whilst recognising key workforce and financial challenges. This included a planned reduction in elective activity over the winter period. We enter 2018/19 with knowledge of the gap in provision facing us and a range of options to make best use of available resource.

A key change in 2017/18 was the introduction of a clinically led surgical prioritisation process for planned care. In order to mitigate the clinical risk associated with the recurring demand and capacity gap, a clinical elective surgery categorisation system was developed and deployed to ensure that those patients who require surgical intervention within a clinically defined time period receive it. In essence this process introduces prioritisation across three categories, with priorities assessed by clinicians on the basis of clinical need.

In addition, a process of clinical escalation has been developed and implemented. This process allows clinicians to escalate specific patients where compliance with the revised classification is challenging. This then allows resolution at three levels (a) within the speciality, (b) across surgical specialities, and (c) at sector / external capacity level. To date, all escalations have been resolved at individual speciality level.

8.1.5 (a) Responsive - Local Delivery Plan Standards

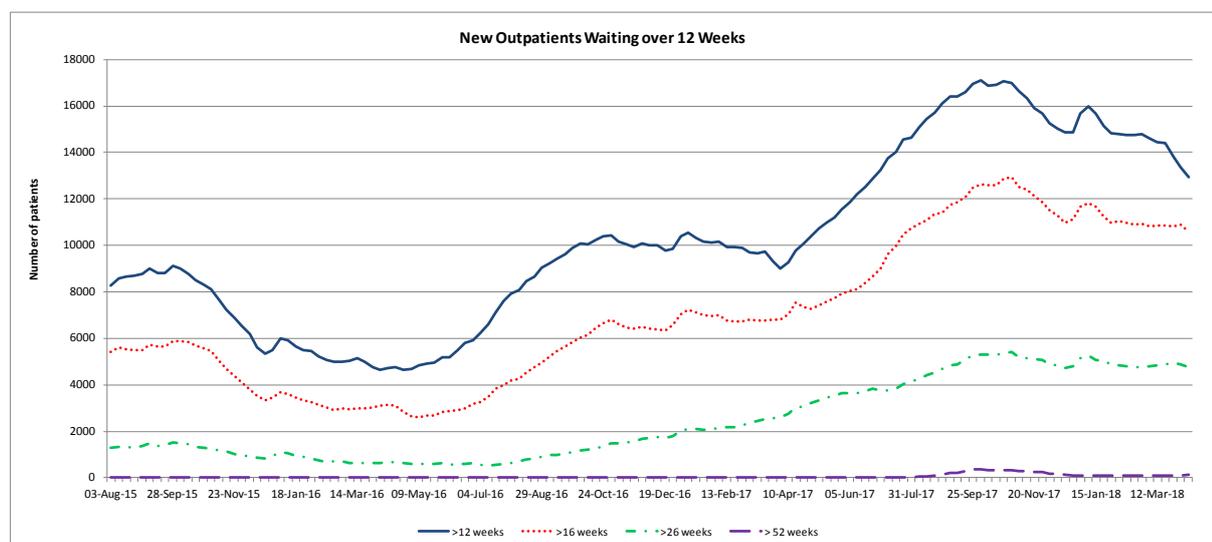
We have set out below a summary of our performance against the commitments set out within the Local Delivery Plan for 2017/18. During 2017/18 we submitted trajectories to Scottish Government with a target range of inpatient and outpatient performance breaches at December 2017 and March 2018. Whilst data for this latter period is not yet published we expect to show that delivery was in line with plan.

**12 week inpatient / daycase Treatment Time Guarantee (TTG)
Inpatients and Day cases**

The percentage of patients waiting beyond the 12 week TTG in the quarter to December 2017 was 31.5% compared to a Scottish position of 19.6%.

12 weeks for first outpatient appointment

The percentage of patients waiting beyond the 12 week outpatient target in the quarter to December 2017 was 41.9% compared to a Scottish position of 29.9%

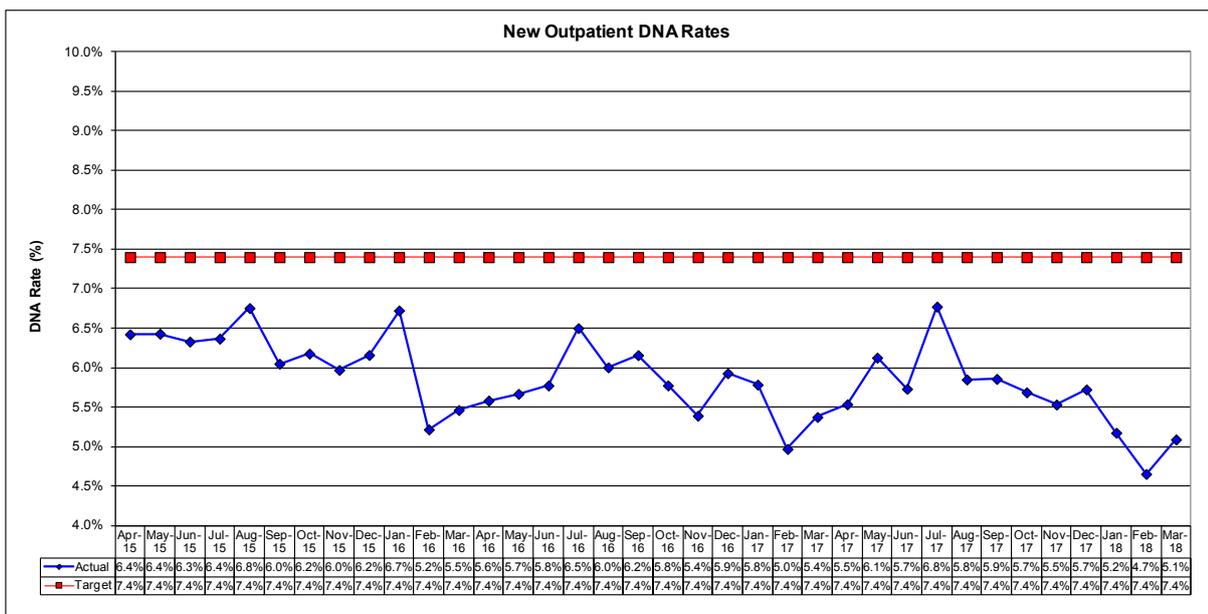


**GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)**

A key focus in 2017/18 and the future is on realising our productive opportunities, as well as planning the service redesign to transform care in the medium to long term. Analysis of national benchmarking data has identified a number of productive opportunities where NHS Grampian activity could be improved when compared with other Scottish Health Boards. These include reductions in the number of return outpatient appointments, in pre-operative length of stay, average length of stay, an increase in the number of procedures performed as a day case and general theatre efficiencies.

NHS Grampian already performs well against a number of efficiency measures. Examples include:

- In February 2018 the total number of planned operations across NHS Grampian, was 2,500. Of these 9.0% were cancelled either by the hospital or by the patient. Across Scotland the cancellation rate was 10.3%;
- There were 28,541 new outpatient attendances in Grampian in the quarter to December 2017, an increase of 7.6% from the previous quarter. This was greater than the increase of 3.9% recorded across Scotland;
- 6.1% of new outpatient appointments were not attended by patients in the quarter to December 2017. This was down from 6.6% in the previous quarter and well below the Scotland wide rate of 9.2%; and
- Return outpatient attendances recorded a decrease of 0.6% from the quarter ending September 2017, the same level was recorded across Scotland.



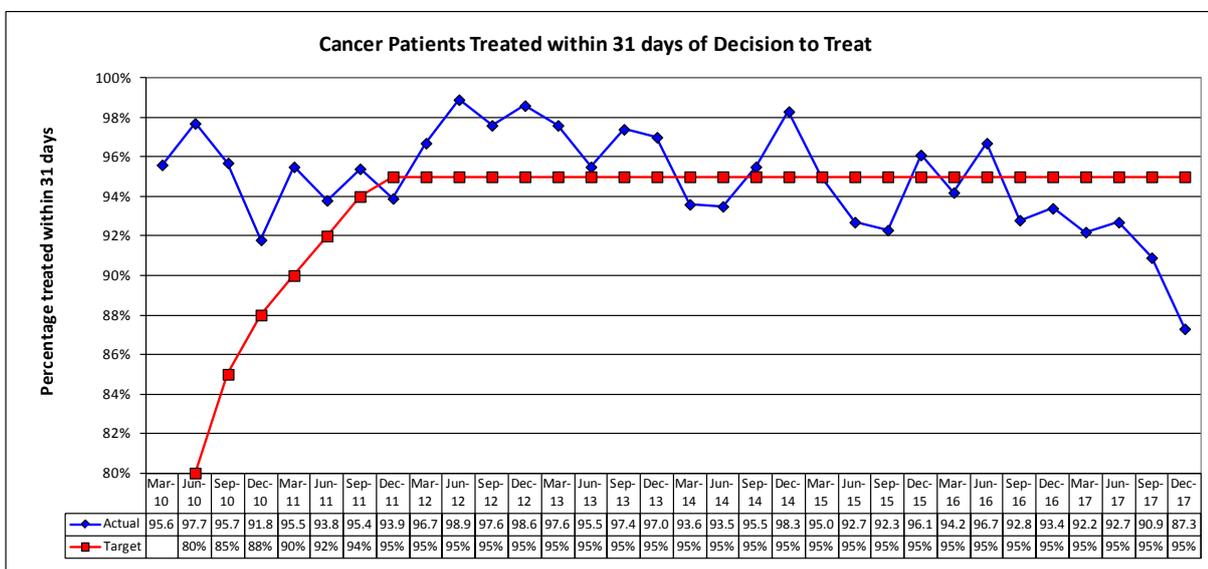
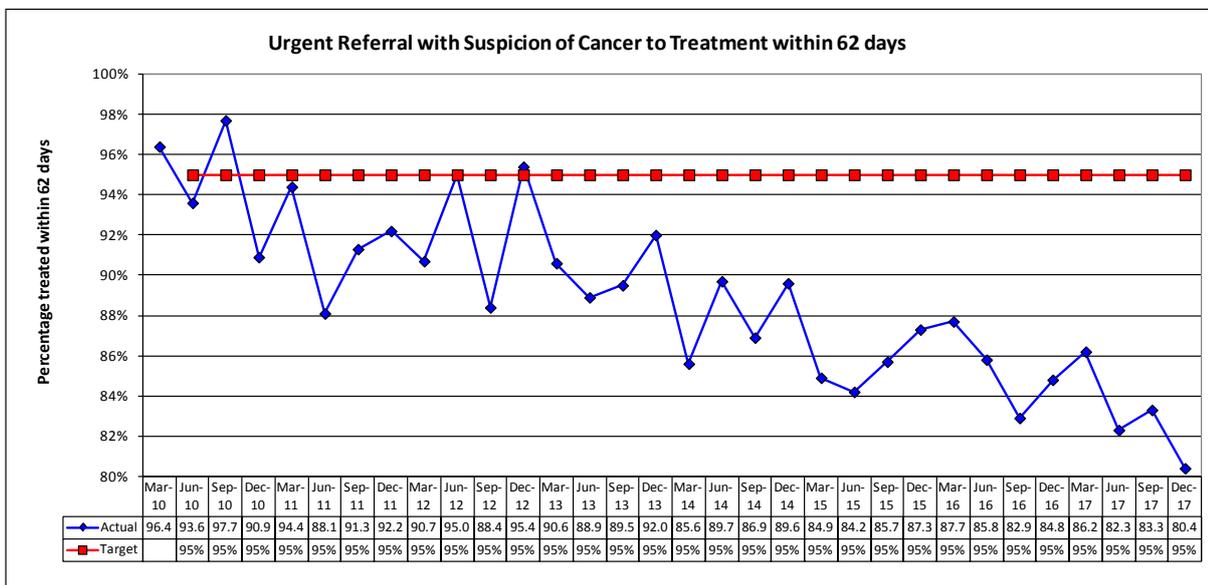
GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

Cancer Access Times

During 2017/18 Grampian has had ongoing challenges in delivering the two cancer access standards ; that 95% of patients urgently referred with a suspicion of cancer will wait a maximum of 62 days from referral to first cancer treatment and that 95% of patients will wait no more than 31 days from decision to treat to first cancer treatment. Overall performance remains below the national trend with 80.4% of patients in Grampian treated within 62 days in the quarter to December 2017 compared to 87.1% nationally and 87.3% within 31 days of decision to treat compared to 94.5% nationally.

	62 day target	31 day target
Quarter to June 2017	82.3%	92.7%
Quarter to September 2017	83.3%	90.9%
Quarter to December 2017	80.4%	87.3%

There have been ongoing challenges relating to resilience of service and staffing levels in key areas. We are working to expand the role of regional services and provide cover for many pathways to improve resilience on a North of Scotland basis. Changes to the bowel screening programme in 2017/18 have resulted in a 130% increase in referrals. NHS Grampian is continuing to fund additional endoscopy into 2018/19 as a result of this change. Service improvement work at a tumour pathway level continues with patient tracking at an individual patient level.



GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

90 percent of young people to commence treatment for specialist Child and Adolescent Mental Health Services (CAMHS) within 18 weeks of referral.

The latest published data is for the quarter ending December 2017.

There was an increase in the CAMHS workforce in Grampian from 63 headcount (51.4 WTE) as at 30th September 2017 to 66 headcount (54.3 WTE) as at 31st December 2017 and an additional 8.1 WTE posts were between being advertised and being filled – 12.9% of the total across Scotland.

During the quarter ending December 2017, 297 children and young people started treatment. 39.1% were seen within 18 weeks compared with 71.1% across Scotland. The performance was up from 33.1% during the previous quarter but still the lowest rate in Scotland. We continue to work with the Mental Health Access Improvement Support Team (MHAIST) regarding waiting times. MHAIST fully recognises that lack of staffing resource is the major contributor to not achieving our Local Delivery Plan targets.

We also continue to use the Choice and Partnership Approach (CAPA) model which means patients and families are seen at a Choice Appointment first at least once and for at least an hour. Currently of 120 patients waiting over 18 weeks, 116 have already attended their Choice assessment. Following their Choice Appointment, 39.1% of children were seen for their first treatment within 18 weeks, up from 33.1% during the previous quarter. All urgent and emergency referrals are prioritised and seen within the agreed clinical timescales.

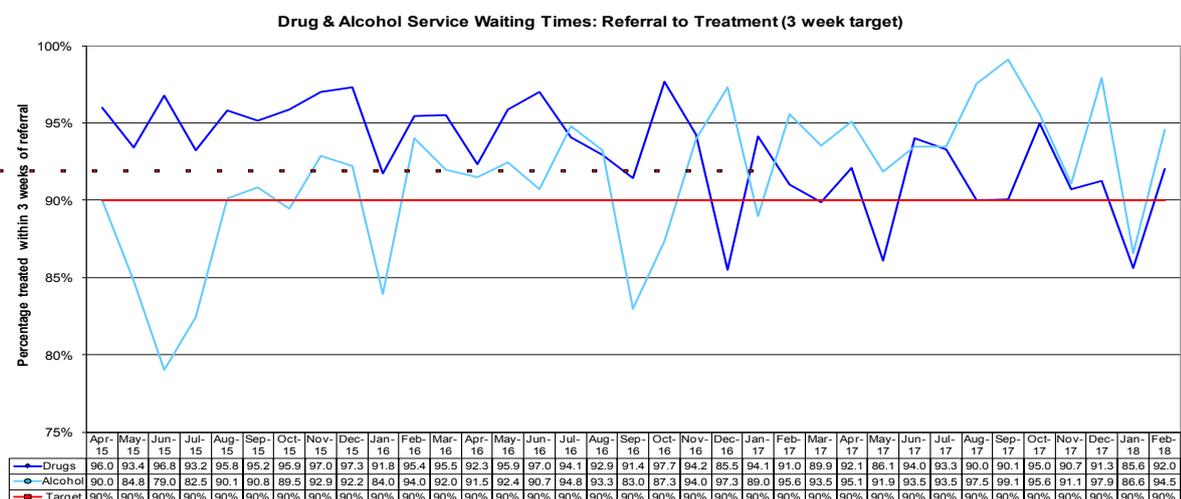
NHS Health Improvement Scotland will be undertaking a review of the CAMHS service during May and June as part of the support being offered to the Board to assist in improving performance and evaluating the CAPA model that we have implemented.

90 percent of patients to commence Psychological Therapy based treatment within 18 weeks of referral.

Similar to the CAMHS service we have been unable to achieve the local delivery plan standard due to challenges in recruiting to vacant posts. A number of service improvement and alternative options to assist patients have been implemented during the year. In the quarter to December 2017 65.1% patients started treatment within 18 weeks compared to 76.5% across Scotland.

Other local delivery standards - access

Measure	Performance
Eligible patients commence IVF treatment within 12 months (90%)	During 2017/18 no patients in Grampian waited more than 12 months for treatment.
Clients will wait no longer than 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery (90%)	We have consistently met the standard of 90% of drug and alcohol patients waiting less than 3 weeks for treatment. The most recent published data for the quarter to December 2017 shows Grampian performance at 94.9%.

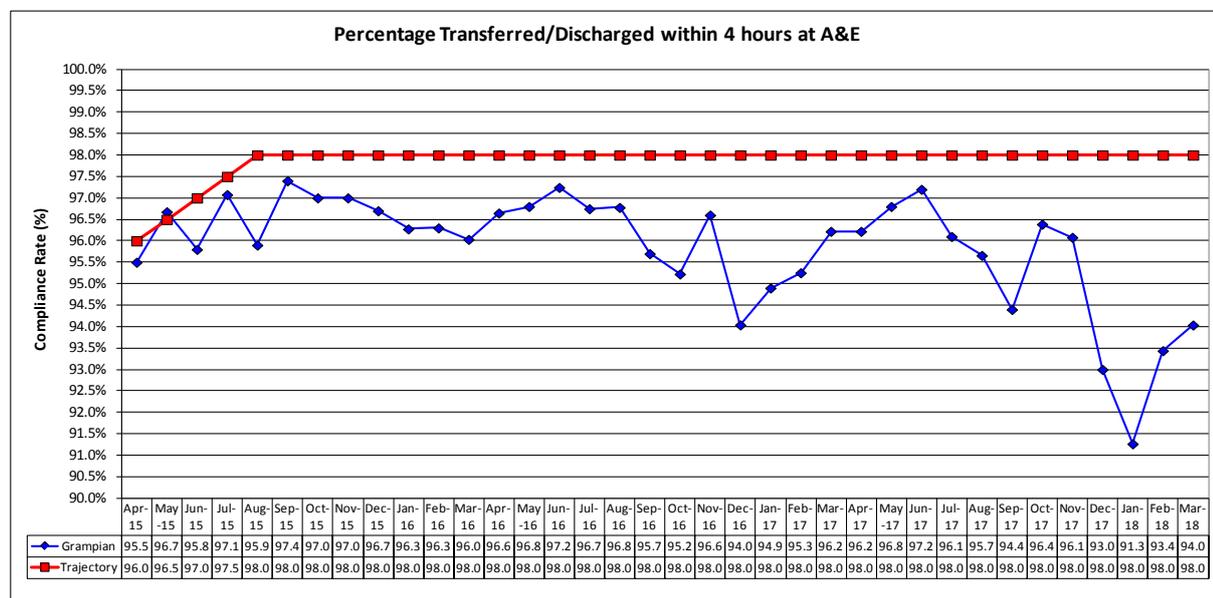


GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

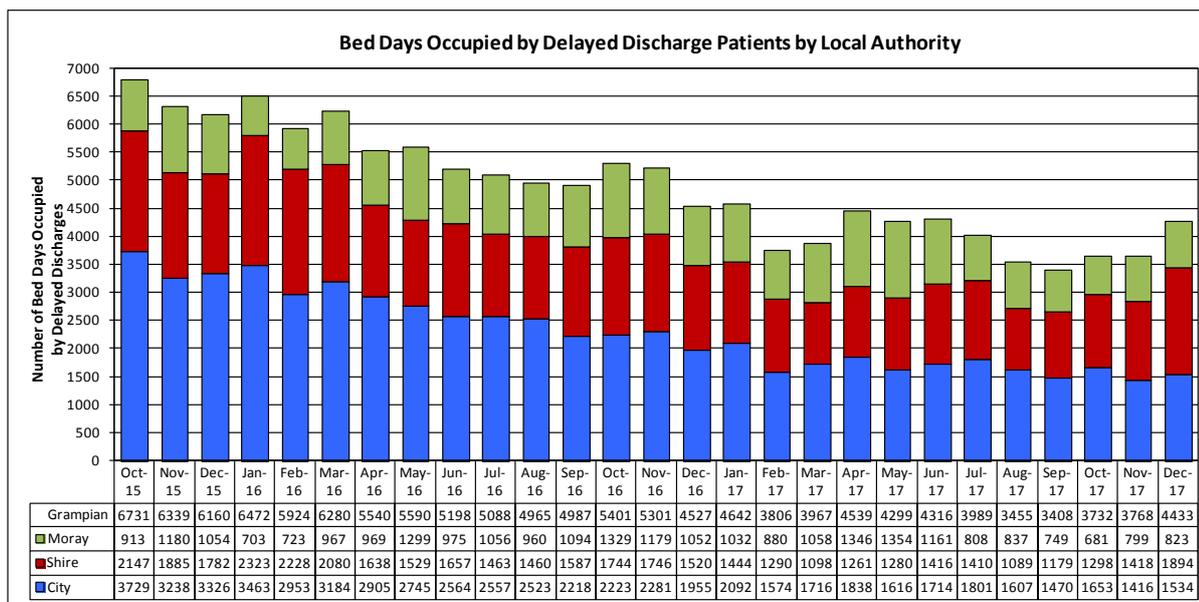
Unscheduled Care

Over the last few years NHS Grampian has demonstrated resilience in unscheduled care, including over the winter period when services can be under greater pressure. Much of the resilience is due to the efforts and hard work of committed and conscientious staff in our hospitals and communities as well as comprehensive cross-system planning and delivery. There has been considerable development of community based activity to minimise unplanned admissions to hospital and to facilitate supported discharge when admission does take place.

Measure	Performance
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment	<p>Performance against this standard is now published weekly and monthly. In common with elsewhere Grampian's performance has fallen over the winter months with a rolling annual performance to January 2018 of 93.8%.</p> <p>We participate fully in the national Unscheduled Care Programme focusing on delivery of the six essential actions. Quarterly performance reports are provided and generally demonstrate good progress being made.</p>
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	<p>The number of bed days occupied by people awaiting discharge has fallen substantially since 2015 and the position has been maintained. There were 118 people delayed at the February 2018 census date, down 7.8% from January. A smaller decrease of 2.8% was recorded across Scotland.</p> <p>In February patients spent 3751 bed days delayed, a decrease of 14.6% since January. In 2016/17 the monthly average bed days delayed was 4063 and in 2015/16 5554.</p>



**GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)**



8.1.6 Caring

NHS Grampian aims to be an organisation that is caring, listening and improving. We do this through a variety of involvement and engagement mechanisms including extensive patient and public involvement in key Board activities. Our Engagement and Participation Committee oversees this activity.

We are transitioning our internal monitoring arrangements to cover the following nine new national performance indicators that became effective from 1 April 2017:-

1. Learning from complaints.
2. Complaint process experience.
3. Staff awareness and Training.
4. The total number of complaints received.
5. Complaints closed at each stage.
6. Complaints upheld, partially upheld and not upheld.
7. Average times.
8. Complaints closed in full within timescales.
9. Number of cases where an extension is authorised.

The first set of performance data for the financial year 2017/18 is not available at the time of writing and will be published as part of the wider NHS Grampian Handling and Learning from Feedback Annual Report on 30 June 2018 which can be accessed on the NHS Grampian Website at this [link](#).

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)

Performance against other local measures is summarised as follows:-

Measure	Performance
Deeper understanding of types of complaints to target improvement.	During 2017/18 NHS Grampian received 1618 complaints, an increase of 151 compared to 2016/17. The increase in complaints relates partly to our ongoing efforts to publicise the patient feedback service coupled with the impact of recent recruitment difficulties in key specialist clinical roles on the length of time patients are required to wait for treatment.
Number of Compliments	During 2017/18 NHS Grampian received 564 compliments and 331 posts were made on Care Opinion (an on line patient form previously called Patient Opinion) of which 70% were positive. This compares to 782 compliments and 281 posts on Patient Opinion in 2016/17. In 2017/18, the posts on care opinion were viewed online 680,602 times compared to 321,215 times in 2016/17.
Reply to stage 1 complaints within 5 working days and stage 2 complaints within 20 working days.	58% of stage 1 complaints (those that could be dealt with verbally or in person) were closed within 5 days. 33% of stage 2 complaints (those requiring a formal investigation) were closed within 20 days and 39% of those initially categorised as stage 1 but then requiring a more formal investigation (stage 2 escalated) were closed within 20 days.
Percentage of Level 1 adverse event reviews commissioned within 10 working days of date reported on DATIX, the Boards risk management and incident recording system, and % Level 1 adverse event reviews completed within 90 days of commissioning.	<p>During 2017/18 the percentage of reviews commissioned within 10 days was 35% (2016/17 48%) with 24% (2016/17 50%) completed within 90 days.</p> <p>A multi-disciplinary clinical and care governance framework group was established in March 2018 and as part of its remit will provide oversight of our adverse events processes. The initial focus of this group will be to review the process for level 1 adverse events and to make recommendations for improvement to the Senior Leadership Team.</p>

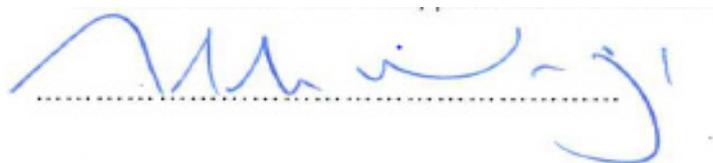
9. Sustainability and the Environment

The Climate Change (Scotland) Act 2009 set outs 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 Act, along with copies of prior year national reports, can be found at the following resource: <https://www.keepsotlandbeautiful.org/about-us/>

10. 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.



Mr Malcolm Wright
Grampian Health Board

26 June 2018

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 26 June 2018.

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 55.

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 (IJB's); 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 96 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 55.

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 2020/21, the Auditor General appointed Gillian Woolman, Assistant Director, Audit Scotland, to undertake the audit of Grampian Health Board. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

The Trustees of NHS Grampian Endowment Funds appointed Scott Moncrieff as external auditor, for the financial year 2017/18.

6. Role of the Board

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

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

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)

All Board members are also trustees of the NHS Grampian Endowment Funds, 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 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.

7. Board Membership

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

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

Chair : Professor Stephen Logan

Vice Chair : Mrs Christine Lester

Non-Executive Members:

Mrs Amy Anderson
Mrs Rhona Atkinson
Dame Anne Begg
Councillor Frank Brown (from 1 June 2017)
Councillor Linda Clark (to 30 April 2017)
Councillor Stewart Cree (to 30 April 2017)
Councillor Barney Crockett (to 30 April 2017)
Councillor Isobel Davidson (from 1 June 2017)
Mrs Sharon Duncan
Professor Mike Greaves (to 30 September 2017)
Mrs Luan Grugeon (from 1 June 2017)
Professor Steven Heys (from 1 October 2017)
Councillor Douglas Lumsden (from 1 June 2017)
Dr Lynda Lynch
Dr Helen Moffat
Mr Jonathan Passmore
Mr Eric Sinclair

Executive Members:

Mr Malcolm Wright Chief Executive
Professor Nick Fluck Medical Director
Mr Alan Gray Director of Finance
Professor Amanda Croft Director of Nursing, Midwifery and Allied Health Professions
Mrs Susan Webb Director of Public Health (from 1 September 2017)

The Board members' responsibilities in relation to the accounts are set out in a statement on page 25 below.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
i) THE DIRECTORS' REPORT (cont)

8. Board Members' Interests

The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public on the NHS Grampian Website at this [link](#) 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 2017/18 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.

9. Disclosure of Information to Auditor

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

10. Remuneration for Non Audit Work

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2017/18 (2016/17 £0).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2017/18 (2016/17 £0).

11. 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](#)

12. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office (ICO) on three occasions during 2017/18 (2016/17 one). At the time of writing the ICO have not indicated that financial sanctions will apply and the Board is working closely with the ICO to determine if any further action is required.

13. 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 20.

**GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont).**

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

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

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

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

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

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

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

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2018 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

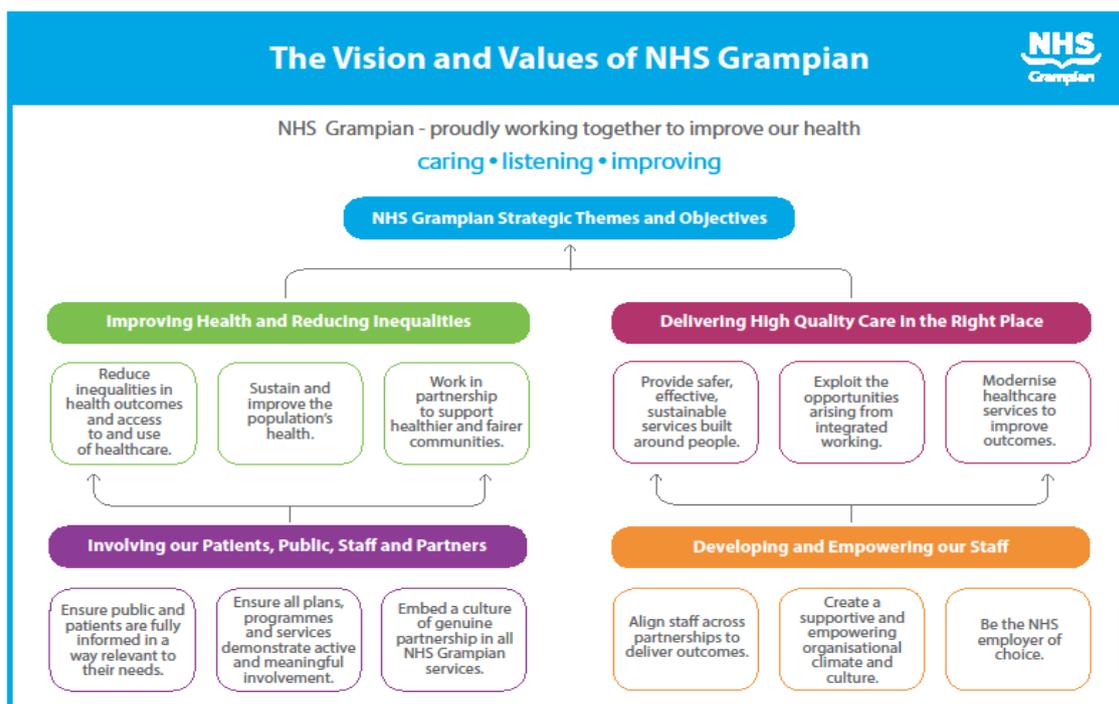
The Health Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT

1. Strategic 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 in the performance report section on page 4 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 28 below) has a key oversight role ensuring that all stakeholders 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 Local Delivery Plan; and
- performance management.

In addition, as explained in the Directors' 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.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

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 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 Board's performance management arrangements include those services delegated to the IJB's 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: Professor Mike Greaves (Chair to 30 September 2017), Dr Lynda Lynch (Chair from 1 October 2017), Dame Anne Begg, Professor Steven Heys (from 1 October 2017), Dr Helen Moffat, Mr Eric Sinclair and a public representative.

Staff Governance Committee

The Staff Governance Committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level. The Committee also oversees the implementation of the Staff Governance Standard which 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 Eric Sinclair (Chair), Mrs Rhona Atkinson, Mrs Sharon Duncan, Mr Jonathan Passmore and Professor Stephen Logan. There is Executive Director and Staff Side representation at each meeting.

Remuneration Committee

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

- Ensuring that arrangements are in place to comply with NHS Grampian policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment for Executive 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 Eric Sinclair (Chair), Mrs Rhona Atkinson, Mrs Sharon Duncan, Mr Jonathan Passmore and Professor Stephen Logan.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

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), Councillor Isobel Davidson (from 1 September 2017), Mrs Sharon Duncan, Professor Mike Greaves (to 30 September 2017), Professor Steven Heys (from 1 October 2017), Councillor Douglas Lumsden (from 1 September 2017) and Dr Lynda Lynch (to 30 September 2017).

Performance Governance Committee

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

Membership: Professor Stephen Logan (Chair), Mrs Rhona Atkinson, Councillor Frank Brown (from 1 September 2017), Mrs Sharon Duncan, Mrs Luan Grugeon (from 1 September 2017) and Mrs Christine Lester.

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. It ensures that patients, carers and the general public are effectively informed about and involved in services, and the strategic and corporate agenda in a variety of ways.

Membership: Mrs Christine Lester (Chair), Mrs Amy Anderson, Professor Amanda Croft (from 1 January 2018), Councillor Isobel Davidson (from 1 January 2018), Professor Nick Fluck (from 1 January 2018), Professor Stephen Logan (from 1 January 2018), Dr Helen Moffat, Mr Jonathan Passmore, Mrs Susan Webb (from 1 January 2018) and Mr Malcolm Wright (from 1 January 2018). 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 2018 valued at £37.2 million (31 March 2017 valued at £43million).

Membership: Dame Anne Begg (Chair), Councillor Frank Brown (from 1 September 2017), Mrs Sharon Duncan, Mr Alan Gray, Professor Mike Greaves (to 30 September 2017), Professor Steven Heys (from 1 October 2017) and Mrs Laura Gray.

1. 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:

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.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

- 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;
- 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, patient focus and public involvement, 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.
- 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;
- 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 North East Partnership forum, 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.

2. 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.

3. Risk and Control Framework

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 risk management arrangements that were in place during the year can be summarised as follows :-

- A risk management plan which sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action;
- 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;
- 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;
- Regular reviews of the strategic risk register by the Performance Governance Committee, Senior Leadership Team (SLT) and the Board ;
- 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;
- 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.

To enhance these arrangements, in October 2017, the Board agreed that our approach to risk management should place more focus on the level of risk NHS Grampian is prepared to tolerate or accept in the pursuit of our strategic objectives. The Board agreed that appetite for risk will vary according to the activity undertaken and that the following appetite statement, including tolerance levels, should be used when considering options to respond to risk:

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

NHS Grampian Risk Appetite Statement

- **Reputation:** NHS Grampian aims to have a high quality reputation, but recognises that in times of change, our reputation may be affected. NHS Grampian has a low appetite for risks that could impact its reputation. In order to deliver its strategy, the Board recognises that it will need to make informed decisions that may bring scrutiny to NHS Grampian. These decisions will only be made where the benefits are aligned to strategic objectives and where the risks can be effectively managed and mitigated.
- **Quality:** Quality and safety are fundamental to NHS Grampian and are central to all decision making. The Board will maximise Quality within the available resources and seek to deliver its Quality Ambitions. It will minimise and manage safety issues with a very low tolerance for those associated with patient care and staff wellbeing.
- **Compliance:** The Board aims to operate in an environment of full compliance but recognises that we operate in a complex environment, governed by statute, regulation, guidance and standards. The Board has a low tolerance for potential breaches in compliance in areas that directly impact the Board's values. The Board will make informed decisions on the outcomes to ensure the best service for its patients and customers. In doing so the Board may accept some risk of non-compliance.
- **Resources (workforce):** NHS Grampian recognises that its staff are critical to delivering against its values and achieving its strategic objectives. NHS Grampian will make proactive decisions to attract, develop and care for its workforce. Ensuring staff feel valued is essential and we will promote staff wellbeing within all our actions. In the current environment, the Board tolerates a moderate degree of risk and will engage with its stakeholders to identify opportunities for new ways of working to align service delivery to the capabilities, capacity and availability of the workforce.
- **Resources (financial) –** Strong financial management is critical to the delivery NHS Grampian's strategy in a sound, sustainable and secure way. On this basis, the Board has a low tolerance for financial risk and will take necessary measures to ensure budgets and finances are managed effectively. The budgets agreed for individual services will be aligned to the overall strategy of the Board. The Board will take informed decisions to ensure the health and well-being of the population and address any safety risks to ensure safe and effective care for its patients. Maintaining a safe and effective service delivery and value for money are the primary concerns, but the Board will consider other financial benefits or constraints as they arise.
- **Resources (operational):** To deliver against the strategy, vision and values, NHS Grampian accepts a higher level of risk arising from the nature of its business operations in pursuit of its goals whilst taking appropriate measures to minimise adverse service delivery.
- **Innovation:** The Board is operating in a period of change and is therefore seeking opportunities to innovate, which will include redesign and working differently. In doing so, the Board accepts a higher degree of risk. However, these risks will be actively managed through effective operation of the risk management framework and the governance forums across the Board.

The Senior Leadership Team (SLT) have recently completed a review of the Strategic Risk Register and the sector specific risks for which they are responsible. A series of actions to be implemented in 2018/19 and future years was also agreed, aimed at embedding this risk appetite statement in our risk management arrangements, also to include an update of the risk management policy and the methodology for categorisation of risks. This process was informed by the findings from an internal audit review of the Board's risk management arrangements which highlighted a delay in formally implementing the changes agreed by the Board in October 2017, including refreshing the strategic risk register.

The Revised Strategic Risk Register is summarised below:-

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

NHS GRAMPIAN STRATEGIC RISK REGISTER		
Risk Title	Description	Current Risk Level
Quality and safety	There is a risk that our focus on quality and safety could be compromised due to culture, service and financial pressures and/or a failure to monitor and implement improvements based on evidence from quality audits, independent assessment, patient experience and recorded incidents.	MEDIUM
Infrastructure	There is a risk that our infrastructure will not support service provision, 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
Sustaining access to professional clinical staff in Grampian	There is a risk that clinical staff providing care to NHS Grampian may not meet professional governance standards/requirements. This might result in harm or poor quality care.	MEDIUM
Sustainable Workforce (Skills and Numbers)	There is a risk that the supply of suitably skilled workers is insufficient to meet service need creates recruitment and retention pressures on NHS Grampian which impacts on the sustainability of services.	HIGH
Evidence and Intelligence Informed Strategy	There is a risk that evidence and intelligence used for developing strategy is insufficiently specific and clear and that systems for collecting and collating this are not robust.	HIGH
Health & Safety	There is a risk that we fail to continuously manage the Organisation's Health and Safety responsibilities towards our Staff, Patients and the Public.	HIGH
Finance and Performance	There is a risk that agreed priority government performance targets and financial break even cannot be sustained due to a failure to establish effective financial decision making processes and implementation of a clinical and support service strategy that can be delivered within available resources.	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
Staff Governance Standard Compliance	There is a risk that we fail to implement the NHS Scotland Staff Governance Standard across NHS Grampian in a consistent manner.	LOW
Deliver strategies to meet the future needs of the population	There is a risk that if our Service, Finance, Workforce and continuous improvement strategies are not aligned to the Clinical Strategy we will not be able to manage the resource pressures arising from changing demographics and the health needs of the population.	MEDIUM

The strategic risk register also highlights the mitigation measures and controls that are in place to manage these risks.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

Key actions agreed by the Senior Leadership team, aimed at further developing the risk management arrangements in the coming year, include:-

- The SLT will undertake a further review of the Strategic Risk Register by the end of June 2018 with identified risks being categorised into the following sub-risks: Quality and Safety of Clinical Care, Workforce, Compliance, Involvement and Engagement, Collaborative Working, Innovation and Transformation and Infrastructure;
- Identification of a Lead Executive for each risk and responsible executive for each sub-risk (Risk co-ordinator/risk owners) and formation of an oversight group for each risk made up of the Lead Executive and all the executive sub-risk owners plus supporting teams. This group will report to the SLT;
- Clarification, establishment and development of the system of risk performance management throughout the organisation linking to oversight groups that then inform the SLT and the Chief Executive, as Accountable Officer. This establishes the principle that risks are managed and reviewed at every level in our organisation and there is a line of sight to the SLT and the Chief Executive;
- Clarification of the link between risks and the assurance / governance systems. This will establish the system by which assurance is delivered to the Board and the Chairman; and
- Clarification of the information used for performance management and assurance for each risk and its sub-risks. The starting principle is that information at higher levels should always be built on information considered at lower (service) levels. This ensures a bottom up approach to reflection on risks and both performance and assurance systems.

4.2 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. In the period covering the year to 31 March 2018 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and the overall system of internal control:

- The Audit Committee closely monitor progress against all high risk actions arising from internal audit reports. Key actions arising from the 2017/18 internal audit programme included :-
 - The Acute Senior Leadership Team implemented revised arrangements for the control and management of the engagement process relating to agency medical and nursing staff. This includes an agreed protocol to determine when agency staffing is justified, standard documentation to be submitted when requesting agency cover and Senior Management and Clinician authorisation of all requests.
 - Implementation of revised standard operating procedures for Breach Validation and improved controls to validate the accuracy of data input to the Emergency Department patient record system (TrakCare ERM).
 - 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.
 - Review of the strategic risk register and operational risk register in line with the revised approach to risk management agreed by the Board in October 2017. The Senior Leadership Team have also agreed a number of actions to further embed the revised arrangements in to our risk management processes during 2018/19. See pages 30 to 32 above for more detail.
- Other key actions progressed during the year include :-
 - Plans to improve the security of prescription documentation through the implementation of a dedicated system wide distribution service are in development, supported by a short life working group, involving representatives from the GP Sub Committee, primary care management, nurse prescribing, acute and primary care pharmacy and the transport and logistics department.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
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iv) GOVERNANCE STATEMENT (cont)

- Regular updates to the Audit Committee, continued throughout the year, on progress against the key risks highlighted in the cyber security maturity assessment carried out in March 2017.
- Agreement, by the Grampian Medicines Management Group, to a formal policy for Homecare Medicines Management.
- The Mental Health and Learning Disabilities management team have established a Quality Indicators Group chaired by the Associate Medical Director and with representation from the three Integration Joint Boards. The group are tasked with developing new methods of data collection and performance reporting in order to comply with the proposed introduction of 30 new Key Performance Indicators following publication of the Scottish Government Mental Health Strategy in March 2017.
- The Public Health Directorate have established a Transformation Board to provide oversight of the co-ordination and sharing of intelligence relating to children's services and to lead the development of new methods of data collection and performance reporting in line with both national outcomes and those contained within the Board's Child Health 2020 Strategic Framework.
- Evidence gathering for the investigation into a high value suspected fraudulent claim for locum medical services is complete and the case is expected to be reported to the Procurator Fiscal during 2018/19. This case has been ongoing since January 2016 and has resulted in a number of improvements to our internal controls including the procurement of an electronic time scheduling and billing system for locum medical staff, which is now fully implemented across all Acute and Mental Health services.
- Dependency on paper medical records continues to reduce. In addition to improving access and security of the records, enabling the conversion of medical records from paper in to an electronic form significantly reduces the risk of contamination of the records due to flood or fire and reduces the fire risk for those buildings where records are held. 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. For all new patients using ARI, their medical records will now either be held electronically from the outset or retrospectively scanned using our new facility. All existing records for patients at ARI and Aberdeen Maternity Hospital will, over time, be scanned and held in electronic form.
- 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 by the Health and Safety Executive and Environmental Health Services during 2016/17 and agreement to establish a dedicated programme Board to oversee an agreed programme of ligature reduction works in all acute mental health admission wards, following an improvement notice served by the Health and Safety Executive in October 2017.
- 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.
- A briefing by the Boards internal auditors on the key potential risks associated with BREXIT, was attended by Board members and the Senior Leadership Team. A summary of the discussion will be used to inform the review of the Board's strategic risk register.
- Implementation of revised arrangements for the Board's corporate register of interests including development of a standard declaration template and updated guidance for staff.
- 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 to the personal development plans, the executive directors have regular senior leadership development sessions and 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.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

- Agreement by all Grampian Public Sector Audit Committee Chairs to maximise efficiency, where appropriate, through co-ordination of internal audit activity across sectors and to share, reciprocally, all relevant internal audit reports with the Audit Committees of the IJBs and partner organisations. In line with this principle NHS Grampian's internal audit programme for 2017/18 dedicated audit time in support of Health and Social Care Integration activities with the scope agreed jointly by the three IJB Chief Officers and Aberdeenshire IJB's internal audit programme included a review of hospital nursing and homecare services.
- Implementation of a number of actions arising from an independent review of internal audit arrangements, aimed at using the internal audit programme more effectively to inform the risk management process.
- 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, a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need and the Nursing Resources Group continued to oversee a strategic improvement in the planning, deployment and investment in nursing and midwifery staffing. The staffing report on page 40 provides more detail on the various recruitment initiatives underway.

5.0 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.

6.0 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;
- Transparent reporting and analysis of the Board's financial performance through the Performance Governance Committee and Budget Steering Group, including the extent to which the Board is reliant on non-recurring sources of funding to achieve our financial targets;
- Reports from Health Improvement Scotland and other inspection agencies; and
- 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.

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:

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
CORPORATE GOVERNANCE REPORT (cont)
iv) GOVERNANCE STATEMENT (cont)

- 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.

Disclosures

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

GRAMPIAN HEALTH BOARD

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 38 and 39 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) 2013/1, PCS (ESM) 2012/1, PCS (ESM) 2013/2, PCS (ESM) 2013/3, PCS (ESM) 2015/1, PCS (ESM) 2015/2, PCS (ESM) 2016/1 and PCS (ESM) 2017/1.

Assessment of Performance

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

Relationship between the highest paid Director and the workforce median remuneration

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

2017-18		2016-17	
Highest Earning Director's Total Remuneration (£000s)	185-190	Highest Earning Director's Total Remuneration (£000s)	180-185
Median Total Remuneration (£)	29,342	Median Total Remuneration (£)	28,747
Ratio	6.46	Ratio	6.36

All staff received a 1% cost of living uplift in pay during 2017/18 and this is the main reason for the increase in median pay.

The highest earning Director is the Chief Executive who received an additional responsibility allowance during the year for extra strategic duties. This is the main reason for the increase in the ratio between the highest paid Director and the median pay between years.

GRAMPIAN HEALTH BOARD

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REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018

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 2017/18.

Note	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2017/18 (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 2018 (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 2018 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/17	Cash Equivalent Transfer Value (CETV) at 31/3/18	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Remuneration of:														
Executive Members														
Mr Malcolm Wright	a	180-185	0	0.0	180-185	0	180-185	80-85	0-2.5	250-255	0-2.5	1,962	1,980	-5
Professor Nick Fluck		185-190	0	0.5	185-190	0	185-190	55-60	0	165-170	0	1,103	1,133	29
Mr Alan Gray	b	125-130	0	4.4	130-135	21	150-155	20-25	0-2.5	0	0	212	246	11
Professor Amanda Croft	g	100-105	0	0.0	100-105	19	120-125	35-40	0-2.5	105-110	2.5-5	668	713	32
Mrs Susan Webb (from 1 September 2017)	c	55-60	0	0.0	55-60	28	85-90	35-40	0-2.5	100-105	0-2.5	662	709	32
Non Executive Members														
Chair - Prof Stephen Logan		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	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	f	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 Rhona Atkinson	f	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	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Frank Brown (from 1 June 2017)		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 Linda Clark (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Stewart Cree (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Barney Crockett (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Isobel Davidson (from 1 June 2017)		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	d/f	75-80	0	0	75-80	17	95-100	30-35	0-2.5	100-105	2.5-5	725	769	37
Professor Mike Greaves (to 30 September 2017)		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 Luan Grugeon (from 1 June 2017)	f	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Steven Heys (from 1 October 2018)	f	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Douglas Lumsden (from 1 June 2017)		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 Lynda Lynch	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Helen Moffat	e	60-65	0	0	60-65	10	70-75	10-15	0-2.5	30-35	0-2.5	211	226	8
Mr Jonathan Passmore	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A

a) The remuneration disclosure for Mr Malcolm Wright reflects an additional responsibility allowance for additional strategic duties.

b) The remuneration disclosure for Mr Alan Gray reflects an additional responsibility allowance for extra duties as Deputy Chief Executive until August 2017 and Strategic Finance Lead for the North of Scotland Region from August 2017. The disclosed pension benefit includes additional years purchased at his own personal cost.

c) Mrs Susan Webb was appointed Executive Director of Public Health on 1 September 2017. The earnings figure disclosed above relates to the period September 2017 to March 2018. The full year equivalent salary is in the range £95k - £100k. The disclosed pension benefit includes additional years purchased at her own personal cost.

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

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

f) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.

g) The remuneration disclosure for Professor Amanda Croft reflects an additional responsibility allowance for extra duties as Deputy Chief Executive from August 2017.

GRAMPIAN HEALTH BOARD

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 2016/17.

Note	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2016/17 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2016 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2016 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/15	Cash Equivalent Transfer Value (CETV) at 31/3/16	Real increase in CETV in year
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Remuneration of:													
Executive Members													
Mr Malcolm Wright	175-180	0	0.0	175-180	0	175-180	75-80	0	230-235	0	1,785	1,832	24
Dr Nick Fluck	180-185	0	0.5	180-185	6	185-190	55-60	0-2.5	165-170	2.5-5	1,026	1,071	30
Mr Alan Gray	125-130	0	3.9	130-135	26	155-160	15-20	0-2.5	0	0	168	204	36
Professor Amanda Croft	90-95	0	0.0	90-95	54	145-150	30-35	2.5-5	100-105	7.5-10	579	649	57
Non Executive Members													
Chair - Prof Stephen Logan	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	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr David Anderson (to 31 July 2016)	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 Amy Anderson (from 1 August 2016)	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 Rhona Atkinson	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dame Anne Begg (from 1 August 2016)	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 Raymond Bisset	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Linda Clark (from 4 October 2016)	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Stewart Cree	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Barney Crockett	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Martin Kitts Hayes (to 31 August 2016)	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Sharon Duncan	75-80	0	0	75-80	41	115-120	30-35	0-2.5	95-100	5-7.5	640	704	56
Professor Mike Greaves	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Lynda Lynch	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Terry Mackie (to 31 July 2016)	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	55-60	0	0	55-60	26	80-85	10-15	0-2.5	30-35	0-2.5	184	209	25
Mr Jonathan Passmore	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A

a) The remuneration disclosure for Mr Alan Gray reflects an additional responsibility allowance for extra duties as Deputy Chief Executive and additional years pension benefit purchased at his own personal cost.

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

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

d) Non Executive Board Members who were members of the Integration Joint Boards and who assume additional responsibilities during the year received additional remuneration.

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

ii) STAFF REPORT

1. Staff Governance

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

2. The Workforce

Although the number of nurses and midwives employed within the Board has increased by 56 wte during the year, recruitment of staff in clinical roles remains a key challenge, with continuing pressures around recruitment in to Senior Medical roles and in critical skilled nursing and clinical support roles, for example, theatre nursing. Use of agency medical staffing has reduced in some areas compared to the previous year but the overall level of both nursing and medical agency staff remains essentially high in order to cover critical roles to meet our demand and capacity challenges and ensure a safe and effective service. Throughout the year the Board continued to apply, in partnership, a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need and the Nursing Resources Group continued to oversee a strategic improvement in the planning, deployment and investment in nursing and midwifery staffing.

Longer term the Board is continuing with implementation of plans to deliver a number of key service changes including a comprehensive surgical transformation programme and improvements to the cancer pathway. 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.

Recruitment efforts also continue in partnership with our staff side organisation, to attract and retain suitably skilled professionals to Grampian, striving to become the 'Employer of Choice'. We also have well developed links with the education sector to ensure a future recruitment pipeline into key nursing and other clinical roles and work is underway with other North of Scotland Boards to develop regional solutions to the redesign of services, where we can, to reduce pressure on services where there are national skills shortages.

The following table summarises total staff costs and numbers for 2017/18 and the prior year:

STAFF COSTS	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	2017/18 Total £000's	2016/17 Total £000's
Salaries and wages	661	358	457,378	0	9,996	(591)	467,802	455,026
Taxation & Social Security costs	91	33	48,617	0	0	0	48,741	44,502
NHS scheme employers' costs	71	17	60,318	0	0	0	60,406	58,677
Inward secondees	0	0	0	431	0	0	431	585
Agency staff	0	0	0	0	21,498	0	21,498	23,132
TOTAL	824	407	566,313	431	31,494	(591)	598,878	581,922

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

217

415

STAFF NUMBERS

Whole time equivalent (WTE)	Executive Board Members	Non Executive Board Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	Average W.T.E	Average W.T.E
	5	0	12,679	0	0	0	12,684	12,798

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

4

7

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

62

67

Note :

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in note 18 to the accounts .

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

HIGHER PAID EMPLOYEES REMUNERATION

Employees whose remuneration fell within the following ranges:	2017/18 No.	2016/17 No.
Clinicians		
£ 70,001 to £80,000	99	89
£ 80,001 to £90,000	65	74
£ 90,001 to £100,000	52	70
£100,001 to £110,000	72	60
£110,001 to £120,000	67	58
£120,001 to £130,000	59	59
£130,001 to £140,000	60	51
£140,001 to £150,000	34	36
£150,001 to £160,000	30	33
£160,001 to £170,000	31	33
£170,001 to £180,000	15	10
£180,001 to £190,000	7	3
£190,001 to £200,000	2	6
£200,001 and above	12	9

Other

£ 70,001 to £ 80,000	36	28
£ 80,001 to £ 90,000	15	7
£ 90,001 to £100,000	4	5
£100,001 to £110,000	3	3
£110,001 to £120,000	3	1
£120,001 to £130,000	2	2
£130,001 to £140,000	0	0
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	1
£180,001 to £190,000	1	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.

3. 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 2017/18 NHS Grampian employed an average 62.3wte (headcount 77) staff with a disability compared to 66.9wte (headcount 82) in 2016/17.

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.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
c) REMUNERATION AND STAFF REPORT (cont)
ii) STAFF REPORT (cont)

4. 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 Equality Outcomes Report 2017-2021, published in April 2017;
- NHS Grampian “Mainstreaming” Report for 2017-2021, published in April 2017;
- NHS Grampian Equal Pay Monitoring Report, published in April 2017; and
- NHS Grampian Equality and Diversity Workforce Monitoring Report 2016/17

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

5. Sickness absence

The attendance management process (iAMS), a partnership approach to return to work, continues to be embedded across the organisation and continues to deliver a short term absence rate which has been consistently below the national average. This has contributed to the achievement of the overall annual sickness absence rate of 5.13% (4.78% in 2016/17).

6. Staff Composition

	2017/18			2016/17		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	2	5	3	1	4
Non-Executive Directors and Employee Director	9	10	19	7	8	15
Senior Employees	12	14	26	15	17	32
Other	2,537	11,926	14,463	2,520	12,046	14,566
Total Headcount	2,561	11,952	14,513	2,545	12,072	14,617

7. Number of Executive Directors by Salary Band

Band (bands of £5,000)	2017/18	2016/17
	Number of Staff	Number of Staff
55-60	1	
90-95		1
100-105	1	
125-130		
130-135	1	1
175-180		1
180-185	1	1
185-190	1	

Note: the staff numbers above are based on headcount. Detailed disclosure information including the names and earnings related information is included in the Remuneration Report on page 38.

8. Expenditure on consultancy

Expenditure on external consultancy during 2017/18 was £79,133 (2016/17 £88,057)

NHS Grampian has used a total of 5 consultancy firms during 2017/18 (5 in 2016/17). 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.

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

a) REMUNERATION AND STAFF REPORT (cont)

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 2017/18 or 2016/17.

	2017/18	2016/17
Exit Package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£25,000 - £50,000	1	0
Total Resource Cost (£'000)	43	0

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 within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. This information will be displayed on the NHS Grampian website at the following [Link](#).

Requirements for the data to be disclosed within the annual report and accounts was unclear at the time of issue. The Cabinet Office published supporting guidance on 2 June 2018 which has clarified the data should be disclosed. Due to the timing of this confirmation, we were unable to collate reliable data to publish within the 2017/18 annual report and accounts therefore we will publish from 2018/19 onwards.

GRAMPIAN HEALTH BOARD

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 2017/18:

	No. of cases 2017/18	£000 2017/18	No. of cases 2016/17	£000 2016/17
Fraud and suspected Fraud	34	14	21	27
Clinical Negligence and Employer Liability claims	42	3,752	55	2,256
Other losses and ex gratia payments	96	116	48	89
Total Special payments and losses	172	3,882	124	2,372

In 2017/18, the Board was required to pay out 4 claims, £0.45 million, £0.75 million, £0.54 million and £0.275m in respect of clinical negligence cases (2016-17: 1 claim for £0.85 million). No other individual losses or claims with a value exceeding £0.25 million were settled during the year.

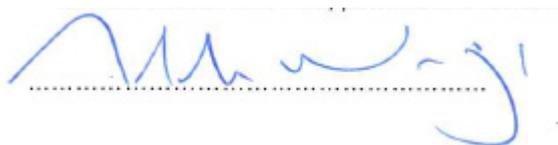
The Board is also required to provide for all clinical negligence and employer liability claims notified to it and which will be settled at a future date. Details of these provisions and an explanation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) can be found in note 13.

2. Fees and Charges

The Board had no commercial trading activity during 2017/18 where the full annual cost exceeded £1 million (2016/17 nil).

3. Contingent Liabilities

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



Mr Malcolm Wright
Chief Executive
Grampian Health Board

26 June 2018

GRAMPIAN HEALTH BOARD

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

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 approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2018 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 2017/18 Government Financial Reporting Manual (the 2017/18 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 2018 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 2017/18 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)). 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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.

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 of the Health Board, 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.

GRAMPIAN HEALTH BOARD

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve 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.

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.

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.

GRAMPIAN HEALTH BOARD

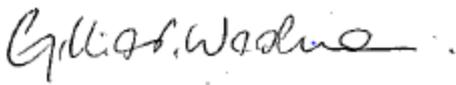
Independent auditor's report to the members of Grampian Health Board, the Auditor General for Scotland and the Scottish Parliament (Cont)

Matters on which 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; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



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

26 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

		NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Aberdeen City 2017/18 £'000	Aberdeenshire 2017/18 £'000	Moray 2017/18 £'000	Group 2017/18 £'000	Restated Group (see notes below) 2016/17 £'000
Staff Costs	3a	598,878	0	0	0	0	0	598,878	581,922
Other Operating Expenditure	3b								
Independent Primary Care Services		142,525	0	0	0	0	0	142,525	140,460
Drugs and Medical Supplies		223,188	0	0	0	0	0	223,188	220,984
Other Health Care expenditure		775,483	10,067	(4,096)	0	0	0	781,454	803,938
Gross expenditure for the year		1,740,074	10,067	(4,096)	0	0	0	1,746,045	1,747,304
Less : Operating Income	4	(654,877)	(4,998)	4,096	0	0	0	(655,779)	(661,469)
Joint Ventures accounted for on an equity basis		0	0	0	1,055	5	964	2,024	(6,566)
Net expenditure for the year		1,085,197	5,069	0	1,055	5	964	1,092,290	1,079,269
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)									
Net Loss/(gain) on revaluation of Property Plant and Equipment		(30,788)	0	0	0	0	0	(30,788)	(146)
Net Loss/(gain) on revaluation of available for sale financial assets		0	720	0	0	0	0	720	(6,390)
Total Comprehensive Net Expenditure/(Income)		1,054,409	5,789	0	1,055	5	964	1,062,222	1,072,733

* The presentation of the Consolidated Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Grampian. The comparative information in respect of 2016/17 has been presented above in the new format.

** The prior year expenditure figures for the NHS Grampian Endowment Fund have been restated (increase of £0.256 million) to reflect a change in accounting policy. In line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015) all approved, but not legally committed, grants are now fully provided for in the year approval is granted. The impact of this change is an increase in expenditure of £0.256 million in 2016/17

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

		NHS Grampian 2016/17 £'000	Restated Charitable Endowment Funds ** 2016/17 £'000	Intra Group Adjustments 2016/17 £'000	Aberdeen City 2016/17 £'000	Aberdeenshire 2016/17 £'000	Moray 2016/17 £'000	Restated Group * 2016/17 £'000
Staff Costs	3a	581,922	0	0	0	0	0	581,922
Other Operating Expenditure	3b							
Independent Primary Care Services		140,460	0	0	0	0	0	140,460
Drugs and Medical Supplies		220,984	0	0	0	0	0	220,984
Other Health Care expenditure		802,566	6,259	(4,887)	0	0	0	803,938
Gross expenditure for the year		1,745,932	6,259	(4,887)	0	0	0	1,747,304
Less : Operating Income	4	(662,030)	(4,326)	4,887	0	0	0	(661,469)
Joint Ventures accounted for on an equity basis		0	0	0	(5,209)	(5)	(1,352)	(6,566)
Net expenditure for the year		1,083,902	1,933	0	(5,209)	(5)	(1,352)	1,079,269
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)								
Net Loss/(gain) on revaluation of Property Plant and Equipment		(146)	0	0	0	0	0	(146)
Net Loss/(gain) on revaluation of available for sale financial assets		0	(6,390)	0	0	0	0	(6,390)
Total Comprehensive Net Expenditure/(Income)		1,083,756	(4,457)	0	(5,209)	(5)	(1,352)	1,072,733

* The presentation of the Consolidated Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Grampian. The comparative information in respect of 2016/17 has been presented above in the new format.

** The prior year expenditure figures for the NHS Grampian Endowment Fund have been restated (increase of £0.256 million) to reflect a change in accounting policy. In line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015) all approved, but not legally committed, grants are now fully provided for in the year approval is granted. The impact of this change is an increase in expenditure of £0.256 million in 2016/17.

GRAMPIAN HEALTH BOARD

SUMMARY OF RESOURCE OUTTURN FOR THE YEAR ENDED 31 MARCH 2018

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2017/18 £'000	2017/18 £'000
Net expenditure		1,092,290
Total Non Core Expenditure (see below)		(41,221)
FHS Non Discretionary Allocation		(50,371)
Donated Assets Income		9,963
Endowment Net Operating Costs		(5,069)
Joint Ventures accounted for on an equity basis		(2,024)
Total Core Expenditure		1,003,568
Core Revenue Resource Limit		1,004,590
Saving/(excess) against Core Revenue Resource Limit		1,022

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation	23,381	
Annually Managed Expenditure - Impairments	9,835	
Annually Managed Expenditure - Creation of Provisions	5,203	
Annually Managed Expenditure - Depreciation of Donated Assets	1,235	
Additional SGHSCD non-core funding	1,567	
Total Non Core Expenditure		41,221
Non Core Revenue Resource Limit		41,221
Saving/(excess) against Non Core Revenue Resource Limit		0

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(excess) £'000
Core	1,004,590	1,003,568	1,022
Non Core	41,221	41,221	0
Total	1,045,811	1,044,789	1,022

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Aberdeen City 2017/18 £'000	Aberdeenshire 2017/18 £'000	Moray 2017/18 £'000	Group 2017/18 £'000	Restated Group * 2016/17 £'000
Non-current assets:									
Property, plant and equipment	7c	545,374	0	0	0	0	0	545,374	507,624
Intangible assets	6	1,234	0	0	0	0	0	1,234	1,368
Financial assets:									
Financial assets	10	449	41,528	0	0	0	0	41,977	44,707
Investments in joint ventures		0	0	0	4,154	0	388	4,542	6,566
Trade and other receivables	9	87,824	0	0	0	0	0	87,824	62,893
Total non-current assets		634,881	41,528	0	4,154	0	388	680,951	623,158
Current Assets:									
Inventories	8	5,353	0	0	0	0	0	5,353	5,526
Financial assets:									
Trade and other receivables	9	38,044	49	(2,574)	0	0	0	35,519	33,937
Cash and cash equivalents	11	668	5,007	0	0	0	0	5,675	4,612
Assets classified as held for sale	7b	0	0	0	0	0	0	0	2,167
Total current assets		44,065	5,056	(2,574)	0	0	0	46,547	46,242
Total assets		678,946	46,584	(2,574)	4,154	0	388	727,498	669,400
Current liabilities									
Provisions	13	(14,113)	(6,054)	0	0	0	0	(20,167)	(20,767)
Financial liabilities:									
Trade and other payables	12	(121,770)	(2,685)	2,574	0	0	0	(121,881)	(104,086)
Total current liabilities		(135,883)	(8,739)	2,574	0	0	0	(142,048)	(124,853)
Non-current assets (less) net current liabilities		543,063	37,845	0	4,154	0	388	585,450	544,547
Non-current liabilities									
Provisions	13	(130,986)	(618)	0	0	0	0	(131,604)	(101,483)
Financial liabilities:									
Trade and other payables	12	(28,412)	0	0	0	0	0	(28,412)	(27,677)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0	0
Total non-current liabilities		(159,398)	(618)	0	0	0	0	(160,016)	(129,160)
Assets less liabilities		383,665	37,227	0	4,154	0	388	425,434	415,387
Taxpayers' Equity									
General fund		282,570	0	0	0	0	0	282,570	288,849
Revaluation reserve		101,095	0	0	0	0	0	101,095	76,956
Other reserves		0	37,227	0	0	0	0	37,227	43,016
Other reserves- Joint Venture		0	0	0	4,154	0	388	4,542	6,566
Total taxpayers' equity		383,665	37,227	0	4,154	0	388	425,434	415,387

* The prior year figures for the NHS Grampian Endowment Fund have been restated to reflect a change in accounting policy, in line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015) :

- All approved, but not legally committed, grants are now fully provided for in the year approval is granted. The impact of this change is a reduction of £2.996 million in net assets for 2016/17, £0.256 million relating to projects approved in 2016/17 and £2.74 million relating to the unspent balance on projects approved in 2015/16; and
- Cash held as part of the investment portfolio at 31 March is now included in the total value of the investment portfolio. The impact of this change is an increase in Financial Assets of £2.216 million in 2016/17 and a corresponding reduction in cash and cash equivalents.

The Annual Accounts were approved by the Board of Directors and authorised for issue on 26 June 2018.

Mr Malcolm Wright
Chief Executive

Mr Alan Gray
Director of Finance

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	NHS Grampian 2016/17 £'000	Restated Charitable Endowment Funds * 2016/17 £'000	Intra Group Adjustments 2016/17 £'000	Aberdeen City 2016/17 £'000	Aberdeenshire 2016/17 £'000	Moray 2016/17 £'000	Restated * Group 2016/17 £'000
Non-current assets:								
Property, plant and equipment	7c	507,624	0	0	0	0	0	507,624
Intangible assets	6	1,368	0	0	0	0	0	1,368
Financial assets:								
Financial assets	10	459	44,248	0	0	0	0	44,707
Investments in associates and joint ventures		0	0	0	5,209	5	1,352	6,566
Trade and other receivables	9	62,893	0	0	0	0	0	62,893
Total non-current assets		572,344	44,248	0	5,209	5	1,352	623,158
Current Assets:								
Inventories	8	5,526	0	0	0	0	0	5,526
Financial assets:								
Trade and other receivables	9	34,261	57	(381)	0	0	0	33,937
Cash and cash equivalents	11	588	4,004	20	0	0	0	4,612
Assets classified as held for sale	7b	2,167	0	0	0	0	0	2,167
Total current assets		42,542	4,061	(361)	0	0	0	46,242
Total assets		614,886	48,309	(361)	5,209	5	1,352	669,400
Current liabilities								
Provisions	13	(17,203)	(3,564)	0	0	0	0	(20,767)
Financial liabilities:								
Trade and other payables	12	(104,022)	(425)	361	0	0	0	(104,086)
Total current liabilities		(121,225)	(3,989)	361	0	0	0	(124,853)
Non-current assets (less) net current liabilities		493,661	44,320	0	5,209	5	1,352	544,547
Non-current liabilities								
Provisions	13	(100,179)	(1,304)	0	0	0	0	(101,483)
Financial liabilities:								
Trade and other payables	12	(27,677)	0	0	0	0	0	(27,677)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0
Total non-current liabilities		(127,856)	(1,304)	0	0	0	0	(129,160)
Assets less liabilities		365,805	43,016	0	5,209	5	1,352	415,387
Taxpayers' Equity								
General fund		288,849	0	0	0	0	0	288,849
Revaluation reserve		76,956	0	0	0	0	0	76,956
Other reserves		0	43,016	0	0	0	0	43,016
Other reserves- Joint Venture		0	0	0	5,209	5	1,352	6,566
Total taxpayers' equity		365,805	43,016	0	5,209	5	1,352	415,387

* The prior year figures for the NHS Grampian Endowment Fund have been restated to reflect a change in accounting policy, in line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015) :

- All approved, but not legally committed, grants are now fully provided for in the year approval is granted. The impact of this change is a reduction of £2.996 million in net assets for 2016/17, £0.256 million relating to projects approved in 2016/17 and £2.74 million relating to the unspent balance on projects approved in 2015/16; and
- Cash held as part of the investment portfolio at 31 March is now included in the total value of the investment portfolio. The impact of this change is an increase in Financial Assets of £2.216 million in 2016/17 and a corresponding reduction in cash and cash equivalents.

GRAMPIAN HEALTH BOARD

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Note	2017/18							2016/17						
	NHS Grampian £'000	Charitable Endowment Funds £'000	Intra Group Adjustments £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	Group £'000	NHS Grampian £'000	Restated Charitable Endowment Funds * £'000	Intra Group Adjustments £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	Restated Group * £'000
Cash flows from operating activities														
Net operating cost	(1,085,197)	(5,069)	0	(1,055)	(5)	(964)	(1,092,290)	(1,083,902)	(1,933)	0	5,209	5	1,352	(1,079,269)
Adjustments for non-cash transactions	22,294	0	0	1,055	5	964	24,318	26,953	0	0	(5,209)	(5)	(1,352)	20,387
Add back: interest payable recognised in net operating cost	1,785	0	0	0	0	0	1,785	1,803	0	0	0	0	0	1,803
Investment Income	0	(1,678)	0	0	0	0	(1,678)	0	(1,624)	0	0	0	0	(1,624)
(Increase)/decrease in trade and other receivables	(31,946)	8	2,193	0	0	0	(29,745)	(35,229)	37	(2,402)	0	0	0	(37,594)
(Increase)/decrease in inventories	173	0	0	0	0	0	173	68	0	0	0	0	0	68
Increase/(decrease) in trade and other payables	7,155	2,260	(2,213)	0	0	0	7,202	1,862	(2,526)	2,376	0	0	0	1,712
Increase/(decrease) in provisions	27,717	1,804	0	0	0	0	29,521	67,185	984	0	0	0	0	68,169
Net cash outflow from operating activities	(1,058,019)	(2,675)	(20)	0	0	0	(1,060,714)	(1,021,260)	(5,062)	(26)	0	0	0	(1,026,348)
Cash flows from investing activities														
Purchase of property, plant and equipment	(20,466)	0	0	0	0	0	(20,466)	(18,723)	0	0	0	0	0	(18,723)
Purchase of intangible assets	(389)	0	0	0	0	0	(389)	(619)	0	0	0	0	0	(619)
Investment Additions	0	(3,528)	0	0	0	0	(3,528)	(168)	(7,971)	0	0	0	0	(8,139)
Proceeds of disposal of property, plant and equipment	7,683	0	0	0	0	0	7,683	3,116	0	0	0	0	0	3,116
Receipts from sale of investments	0	5,528	0	0	0	0	5,528	0	12,251	0	0	0	0	12,251
Interest and dividends received	0	1,678	0	0	0	0	1,678	0	1,624	0	0	0	0	1,624
Net cash outflow from investing activities	(13,172)	3,678	0	0	0	0	(9,494)	(16,394)	5,904	0	0	0	0	(10,490)
Cash flows from financing activities														
Funding	1,072,269	0	0	0	0	0	1,072,269	1,040,174	0	0	0	0	0	1,040,174
Movement in general fund working capital	80	0	0	0	0	0	80	247	0	0	0	0	0	247
Cash drawn down	1,072,349	0	0	0	0	0	1,072,349	1,040,421	0	0	0	0	0	1,040,421
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	707	0	0	0	0	0	707	(717)	0	0	0	0	0	(717)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(1,785)	0	0	0	0	0	(1,785)	(1,803)	0	0	0	0	0	(1,803)
Net Financing	1,071,271	0	0	0	0	0	1,071,271	1,037,901	0	0	0	0	0	1,037,901
Net increase/(decrease) in cash and cash equivalents in the period	80	1,003	(20)	0	0	0	1,063	247	842	(26)	0	0	0	1,063
Cash and cash equivalents at the beginning of the year	588	4,004	20	0	0	0	4,612	341	3,162	46	0	0	0	3,549
Cash and cash equivalents at the end of the year	668	5,007	0	0	0	0	5,675	588	4,004	20	0	0	0	4,612

* The prior year figures for the NHS Grampian Endowment Fund have been restated to reflect a change in accounting policy in line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015). Cash held as part of the investment portfolio at 31 March is now included in the total value of the investment portfolio. The impact of this change is an increase in Financial Assets of £2.216 million in 2016/17 and a corresponding reduction in cash and cash equivalents.

GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	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 2017		288,849	76,956	365,805	33,684	9,332	43,016	5,209	5	1,352	415,387
Changes in taxpayers' equity for 2017-18											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	30,788	30,788	0	0	0	0	0	0	30,788
Net loss on revaluation of financial assets	10	0	0	0	7	(727)	(720)	0	0	0	(720)
Impairment of property, plant and equipment	7a	0	(9,835)	(9,835)	0	0	0	0	0	0	(9,835)
Revaluation & impairments taken to operating costs	2a	0	9,835	9,835	0	0	0	0	0	0	9,835
Transfers between reserves		6,649	(6,649)	0	0	0	0	0	0	0	0
Net operating cost for the year		(1,085,197)	0	(1,085,197)	(5,069)	0	(5,069)	(1,055)	(5)	(964)	(1,092,290)
Total recognised income and expense for 2017-18		(1,078,548)	24,139	(1,054,409)	(5,062)	(727)	(5,789)	(1,055)	(5)	(964)	(1,062,222)
Funding:											
Drawn down		1,072,349	0	1,072,349	0	0	0	0	0	0	1,072,349
Movement in General Fund Creditor		(80)	0	(80)	0	0	0	0	0	0	(80)
Balance at 31 March 2018		282,570	101,095	383,665	28,622	8,605	37,227	4,154	0	388	425,434

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Note				Restated Individual	Restated	Restated	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	Restated Consolidated Total Reserves £'000
		General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000				
Balance at 31 March 2016		327,553	81,834	409,387	34,515	6,784	41,299	0	0	0	450,686
Prior year adjustments for changes in accounting policy and material errors				0	(2,740)		(2,740)				(2,740)
Restated Balance at 1 April 2016		327,553	81,834	409,387	31,775	6,784	38,559	0	0	0	447,946
Changes in taxpayers' equity for 2016-17											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	146	146	0	0	0	0	0	0	146
Net gain on revaluation of financial assets	10	0	0	0	3,842	2,548	6,390	0	0	0	6,390
Impairment of property, plant and equipment	7a	0	(8,912)	(8,912)	0	0	0	0	0	0	(8,912)
Revaluation & impairments taken to operating costs	2a	0	8,912	8,912	0	0	0	0	0	0	8,912
Transfers between reserves		5,024	(5,024)	0	0	0	0	0	0	0	0
Net operating cost for the year		(1,083,902)	0	(1,083,902)	(1,933)	0	(1,933)	5,209	5	1,352	(1,079,269)
Total recognised income and expense for 2016/17		(1,078,878)	(4,878)	(1,083,756)	1,909	2,548	4,457	5,209	5	1,352	(1,072,733)
Funding:											
Drawn down		1,040,421	0	1,040,421	0	0	0	0	0	0	1,040,421
Movement in General Fund Creditor		(247)	0	(247)	0	0	0	0	0	0	(247)
Balance at 31 March 2017		288,849	76,956	365,805	33,684	9,332	43,016	5,209	5	1,352	415,387

* The prior year figures for the NHS Grampian Endowment Fund have been restated to reflect a change in accounting policy, in line with the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2015). All approved, but not legally committed, grants are now fully provided for in the year approval is granted. The impact of this change is a reduction of £2.996 million in net assets for 2016/17, £0.256 million relating to projects approved in 2016/17 and £2.74 million relating to the unspent balance on projects approved in 2015/16.

GRAMPIAN HEALTH BOARD

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 2017/18 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 9 – Financial instruments (new);
- IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates or joint (amendment);
- IFRS 14 – Regulatory Deferral Accounts (new);
- IFRS 15 – Revenue from Contracts with Customers (IAS 18 replacement – revenue recognition);
- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).
- IAS 7 - Disclosure Initiative (issued in January 2016) (amendment); and
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) (amendment).

The revised standard for lease accounting (IFRS 16), effective from financial year 2019/20, will require most leased buildings, plant and equipment to be included in the Statement of Financial Position as a “right to use” asset and a corresponding liability. This is a departure from the current accounting standard (IAS 17) which differentiates between an operating lease and a finance lease with the cost of all operating leases charged annually to operating costs. Work is underway to accurately quantify the impact of adoption of this new standard which is expected to have a material impact on the value of assets and liabilities reported in the Board’s Financial Statements.

The impact on the financial statements as a result of all other standards mentioned above, is expected to be minimal.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

Effective from 2016/17 the Board has also disclosed its interest in the three Integration Joint Boards (IJB’s); 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) Prior Year Adjustments

The prior year figures for the NHS Grampian Endowment Fund have been restated to reflect a change in accounting policy, in line with the Statement of Recommended Practice - “Accounting and Reporting by Charities” (SORP 2015) :

- All approved, but not legally committed, grants are now fully provided for in the year approval is granted.
- Cash held as part of the investment portfolio at 31 March is now included in the total value of the investment portfolio.

When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior year as if the new policy had always applied. A reconciliation of net income and opening balances on reserves and cash flow is shown below:

		2016/17 £000’s
Reconciliation of Net Income		
Endowment Fund Net Income as previously reported		4,713
Provisions		(256)
Restated Net Income		4,457

	01 April 2016 £000’s	31 March 2017 £000’s
Reconciliation of Total Taxpayers Equity		
Endowment Fund Reserves as previously reported	41,299	46,012
Provisions	(2,740)	(2,996)
Restated Reserves	38,559	43,016

		2016/17 £000’s
Reconciliation of Cash Flow		
Cash and cash equivalents as previously reported		6,220
Reclassification of cash as investment		(2,216)
Restated Cash and Cash Equivalents		4,004

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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

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

Non-discretionary funding 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.

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.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

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.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

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.

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

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

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) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' and non operational assets which have been declared surplus cease to be depreciated upon the reclassification.
- 4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

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.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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

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

Revaluation and impairment:

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

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

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

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

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.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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

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

10) Donated Assets

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 balance sheet 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.

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.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

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).

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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.

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 22 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

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 balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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

Classification

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

(i) Loans and receivables

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

(ii) Available for sale financial assets

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

Recognition and measurement

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

(i) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

(ii) Available for sale financial assets

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

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

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

24)(b) Financial Liabilities

Classification

The Board classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

Other financial liabilities

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

Recognition and measurement

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

Other financial liabilities

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

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.

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.

GRAMPIAN HEALTH BOARD

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 balance sheet date:

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

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

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 21 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.

Fair Value of Property, Plant & Equipment: Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2018, 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 8 above.

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

2. NOTES TO THE CASH FLOW STATEMENT

2a Consolidated adjustments for non-cash transactions

	Note	2017/18 £'000	2016/17 £'000
Expenditure not paid in cash			
Depreciation	7a	22,858	23,827
Amortisation	6	523	502
Depreciation of donated assets	7a	1,235	947
Impairments on PPE charged to SoCNE		11,338	9,476
Reversal of impairments on PPE charged to SoCNE		(1,503)	(564)
Funding Of Donated Assets *	4/7a	(9,963)	(5,267)
Loss / (profit) on disposal of property, plant and equipment		(2,194)	(1,968)
Joint Ventures accounted for on an equity basis		2,024	(6,566)
Total expenditure not paid in cash		24,318	20,387

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 2a, in order to ensure that these costs are properly recognised within the cash flow statement.

2b. Interest payable recognised in operating expenditure

		2017/18 £'000	2016/17 £'000
PFI Finance lease charges allocated in the year	17	1,785	1,803

GRAMPIAN HEALTH BOARD

3. OPERATING EXPENSES

3a. BOARD STAFF COSTS

	2017/18 £'000	2016/17 £'000
Medical and Dental	161,429	161,054
Nursing	235,615	223,109
Other Staff	201,834	197,759
Total Staff Costs	<u>598,878</u>	<u>581,922</u>

3b. BOARD NON STAFF OPERATING COSTS

	2017/18 £'000	2016/17 £'000
Independent Primary Care Services:		
General Medical Services	82,365	80,918
Pharmaceutical Services	19,489	19,685
General Dental Services	30,204	29,530
General Ophthalmic Services	10,467	10,327
Sub total Independent Primary Care Services	<u>142,525</u>	<u>140,460</u>
Drugs and medical supplies:		
Prescribed drugs Primary Care	103,327	100,175
Prescribed drugs Secondary Care	68,261	68,108
Medical Supplies	51,600	52,701
Sub total Drugs and Medical Supplies	<u>223,188</u>	<u>220,984</u>
Other health care expenditure		
Contribution to Integration Joint Boards	505,582	505,877
Goods and services from other NHSScotland bodies	18,324	17,712
Goods and services from other UK NHS bodies	1,402	1,729
Goods and services from private providers	4,261	4,067
Goods and services from voluntary organisations	2,559	1,638
Resource Transfer	67,268	57,794
Loss on disposal of assets	0	0
Other operating expenses	175,888	213,550
External Auditor's remuneration - statutory audit fee	199	199
- other services - details provided below	0	0
Sub total other operating expenditure	<u>775,483</u>	<u>802,566</u>
Total Board Non Staff Operating Expenditure	<u>1,141,196</u>	<u>1,164,010</u>

Notes :

* Other operating expenses includes the costs of all indirect services necessary to support the delivery of healthcare. These include property costs such as depreciation, energy, rates and maintenance; food and other catering consumables; cleaning supplies; purchase, repair and laundry of linen; waste disposal; purchase, hire, repair and maintenance of minor medical equipment; administrative costs such as postage, stationery, advertising and recruitment expenses; training and development of our staff; clinical negligence and other compensation claims; 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

	2017/18 £'000	Restated 2016/17 £'000
Patient & Staff Education and Welfare	714	1,006
Clinical Research	1,234	1,780
Purchase of New Equipment	3,058	2,018
Infrastructure Improvements	4,883	1,264
Investment management	178	191
Total Charitable Endowment Funds	<u>10,067</u>	<u>6,259</u>
Intra Group Adjustment	(4,096)	(4,887)
Total Consolidated Operating Expenditure	<u>1,746,045</u>	<u>1,747,304</u>

GRAMPIAN HEALTH BOARD

4. OPERATING INCOME

4a. BOARD OPERATING INCOME

	2017/18 £'000	2016/17 £'000
Income from other NHS Scotland bodies	75,904	72,983
Income from NHS non-Scottish bodies	1,132	1,295
Income from private patients	138	522
Income for services commissioned by Integration Joint Board	507,708	498,280
Patient charges for primary care	6,836	7,114
Donations	9,963	5,267
Profit on disposal of assets	2,194	1,968
Contributions in respect of clinical and medical negligence claims	27,098	48,372
Non NHS:		
Overseas patients (non-reciprocal)	351	271
Other	23,553	25,958
Total Board Income	<u>654,877</u>	<u>662,030</u>

4.b. OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2017/18 £'000	2016/17 £'000
Total Income		
Donations	1,107	1,112
Legacies	2,213	1,590
Investment Income	1,678	1,624
Total Charitable Endowment Funds	<u>4,998</u>	<u>4,326</u>
Intra Group Adjustment	<u>(4,096)</u>	<u>(4,887)</u>
Total Consolidated Operating Income	<u>655,779</u>	<u>661,469</u>

Notes :

* 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 2017/18	176,343	178,181	74,594	420,995	200,010	35,075	1,085,198
PRIOR YEAR							
Grampian Health Board Net operating cost 2016/17	179,793	176,764	75,215	423,100	193,204	35,826	1,083,902

GRAMPIAN HEALTH BOARD

6. INTANGIBLE ASSETS

2017/18

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2017	2,598	2,322	5	4,925
Additions	249	140	0	389
Disposals	0	0	0	0
As at 31 March 2018	2,847	2,462	5	5,314
Amortisation				
As at 1 April 2017	1,688	1,864	5	3,557
Provided during the year	363	160	0	523
Disposals	0	0	0	0
As at 31 March 2018	2,051	2,024	5	4,080
Net Book Value at 1 April 2017	910	458	0	1,368
Net Book Value at 31 March 2018	796	438	0	1,234

PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2016	2,204	2,097	5	4,306
Additions	394	225	0	619
Disposals	0	0	0	0
As at 31 March 2017	2,598	2,322	5	4,925
Amortisation				
As at 1 April 2016	1,363	1,687	5	3,055
Provided during the year	325	177	0	502
Disposals	0	0	0	0
As at 31 March 2017	1,688	1,864	5	3,557
Net Book Value at 1 April 2016	841	410	0	1,251
Net Book Value at 31 March 2017	910	458	0	1,368

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 2017	30,071	411,263	3,391	3,172	137,414	30,630	5,074	16,296	637,311
Additions - purchased	504	3,874	0	318	7,691	2,077	523	16,020	31,007
Additions - donated	0	7,671	0	0	982	0	235	1,075	9,963
Completions	0	6,330	0	0	218	0	279	(6,827)	0
Transfers between asset categories	0	1,963	(1,963)	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	2,028	16,646	41	0	0	0	0	0	18,715
Impairment charges	(35)	(11,303)	0	0	0	0	0	0	(11,338)
Impairment reversals	76	1,427	0	0	0	0	0	0	1,503
Disposals - purchased	0	0	0	(1,179)	(9,412)	(1,588)	(1,622)	0	(13,801)
Disposals - donated	0	0	0	(80)	(786)	(8)	0	0	(874)
At 31 March 2018	32,644	437,871	1,469	2,231	136,107	31,111	4,489	26,564	672,486
Depreciation									
At 1 April 2017	0	2,465	0	2,544	96,306	24,505	3,867	0	129,687
Provided during the year - purchased	0	12,579	139	134	7,889	1,876	241	0	22,858
Provided during the year - donated	0	536	0	10	573	96	20	0	1,235
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	66	(66)	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	(12,000)	(73)	0	0	0	0	0	(12,073)
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	0	0	(1,179)	(9,335)	(1,588)	(1,619)	0	(13,721)
Disposals - donated	0	0	0	(80)	(786)	(8)	0	0	(874)
At 31 March 2018	0	3,646	0	1,429	94,647	24,881	2,509	0	127,112
Net book value at 1 April 2017	30,071	408,798	3,391	628	41,108	6,125	1,207	16,296	507,624
Net book value at 31 March 2018	32,644	434,225	1,469	802	41,460	6,230	1,980	26,564	545,374
Open Market Value of Land in Land and Dwellings Included Above	4,622		0						
Asset financing:									
Owned - purchased	32,644	379,527	1,469	787	37,533	5,714	1,719	7,436	466,829
Owned - donated	0	21,815	0	15	3,927	516	261	1,134	27,668
Held on finance lease	0	5,752	0	0	0	0	0	0	5,752
On-balance sheet PFI contracts	0	27,131	0	0	0	0	0	17,994	45,125
Net book value at 31 March 2018	32,644	434,225	1,469	802	41,460	6,230	1,980	26,564	545,374

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 2016	30,675	417,944	5,778	2,887	133,718	27,951	5,063	8,310	632,326
Additions - purchased	0	6,028	0	373	3,121	2,577	11	12,273	24,383
Additions - donated	0	206	0	0	1,448	102	0	3,511	5,267
Completions	0	7,798	0	0	0	0	0	(7,798)	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	1,125	(13,655)	(712)	0	0	0	0	0	(13,242)
Impairment charges	(201)	(7,594)	(1,681)	0	0	0	0	0	(9,476)
Impairment reversals	22	536	6	0	0	0	0	0	564
Disposals - purchased	(1,550)	0	0	(88)	(873)	0	0	0	(2,511)
Disposals - donated	0	0	0	0	0	0	0	0	0
At 31 March 2017	30,071	411,263	3,391	3,172	137,414	30,630	5,074	16,296	637,311
Depreciation									
At 1 April 2016	0	2,183	0	2,517	88,174	22,759	3,624	0	119,257
Provided during the year - purchased	0	13,073	223	104	8,525	1,665	237	0	23,827
Provided during the year - donated	0	374	0	11	475	81	6	0	947
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	(13,165)	(223)	0	0	0	0	0	(13,388)
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	0	0	(88)	(868)	0	0	0	(956)
Disposals - donated	0	0	0	0	0	0	0	0	0
At 31 March 2017	0	2,465	0	2,544	96,306	24,505	3,867	0	129,687
Net book value at 1 April 2016	30,675	415,761	5,778	370	45,544	5,192	1,439	8,310	513,069
Net book value at 31 March 2017	30,071	408,798	3,391	628	41,108	6,125	1,207	16,296	507,624
Open Market Value of Land in Land and Dwellings Included Above	2,120		0						
Asset financing:									
Owned - purchased	30,071	370,880	3,391	603	37,590	5,513	1,161	12,452	461,661
Owned - donated	0	11,731	0	25	3,518	612	46	3,844	19,776
Held on finance lease	0	5,880	0	0	0	0	0	0	5,880
On-balance sheet PFI contracts	0	20,307	0	0	0	0	0	0	20,307
Net book value at 31 March 2017	30,071	408,798	3,391	628	41,108	6,125	1,207	16,296	507,624

GRAMPIAN HEALTH BOARD

7b. ASSETS HELD FOR SALE

There were no assets classified as held for sale i.e. where disposal was certain to be achieved within 12 months at 31 March 2018. The disposal of the second tranche of the upper and lower old Royal Cornhill Hospital (£2.118m) and Maud Hospital (0.05m) held for sale at 31 March 2017 were successfully delivered during the year.

ASSETS HELD FOR SALE - CONSOLIDATED

	Note	Property, Plant & Equipment £000
At 1 April 2017		2,167
Disposals of non-current assets held for sale		<u>(2,167)</u>
At 31 March 2018		<u>0</u>

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment £000
At 1 April 2016	4,460
Disposals of non-current assets held for sale	<u>(2,293)</u>
At 31 March 2017	<u>2,167</u>

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

	2017/18 £000	2016/17 £000
Net book value of property, plant and equipment at 31 March		
Purchased	517,706	487,848
Donated	27,668	19,776
Total	<u>545,374</u>	<u>507,624</u>

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

Net book value of surplus land valued at open market value at 31 March	4,622	2,120
Net book value of surplus buildings valued at open market value at 31 March	895	928

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

Total value of assets held under:		
Finance Leases	5,752	5,880
PFI and PPP Contracts	45,125	20,307
	<u>50,877</u>	<u>26,187</u>
Total depreciation charged in respect of assets held under:		
Finance leases	332	282
PFI and PPP contracts	467	469
	<u>799</u>	<u>751</u>

GRAMPIAN HEALTH BOARD

7d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2017/18 £'000	2016/17 £'000
Expenditure			
Acquisition of intangible assets	6	389	619
Acquisition of property, plant and equipment	7a	31,007	24,383
Donated asset additions	7a	9,963	5,267
HUB		0	168
Gross Capital Expenditure		41,359	30,437
Income			
Net book value of disposal of property, plant and equipment		80	1,555
Value of disposal of non-current assets held for sale		2,167	2,293
HUB - repayment of investment		10	926
Donated asset income		9,963	5,267
Capital Income		12,220	10,041
Net Capital Expenditure		29,139	20,396
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		17,866	12,099
Non core Capital Resource Limit		11,273	8,297
Total Capital Resource Limit		29,139	20,396
Saving / (excess) against Total Capital Resource Limit		0	0

8. INVENTORIES

	2017/18 £000	2016/17 £000
Raw materials and consumables	5,353	5,526

GRAMPIAN HEALTH BOARD

9. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Group 2017/18 £'000	NHS Grampian 2016/17 £'000	Charitable Endowment Funds 2016/17 £'000	Intra Group Adjustments 2016/17 £'000	Group 2016/17 £'000
Receivables due within one year								
NHS Scotland Boards	9,728			9,728	7,831			7,831
NHS Non-Scottish Bodies	1,139			1,139	1,026			1,026
VAT recoverable	1,132			1,132	1,130			1,130
Prepayments	5,439			5,439	4,392			4,392
Accrued income	4,777	31	(401)	4,407	7,272	36	(381)	6,927
Other Receivables	8,034	2	(2,173)	5,863	5,609	21		5,630
Reimbursement of provisions	4,817			4,817	5,364			5,364
Other Public Sector Bodies	2,978	16		2,994	1,637			1,637
Total Receivables due within one year	38,044	49	(2,574)	35,519	34,261	57	(381)	33,937
Receivables due after more than one year								
Accrued income	2,856			2,856	1,666			1,666
Reimbursement of Provisions	84,968			84,968	61,227			61,227
Total Receivables due after more than one year	87,824	0	0	87,824	62,893	0	0	62,893
TOTAL RECEIVABLES	125,868	49	(2,574)	123,343	97,154	57	(381)	96,830
The total receivables figure above includes a provision for bad debts of :					742			742
WGA Classification								
NHSScotland	9,728			9,728	7,831			7,831
Central Government Bodies	1,364			1,364	1,330			1,330
Whole of Government Bodies	2,745			2,745	1,437			1,437
Balances with NHS Bodies in England and Wales	1,139			1,139	1,026			1,026
Balances with bodies external to Government	110,892	49	(2,574)	108,367	85,530	57	(381)	85,206
Total	125,868	49	(2,574)	123,343	97,154	57	(381)	96,830

GRAMPIAN HEALTH BOARD

9. TRADE AND OTHER RECEIVABLES (Cont)

	2018 £'000	2017 £'000
Movements on the provision for impairment of receivables are as follows:		
At 1 April	742	658
Provision for debtors impairment	1,008	87
Receivables written off during the year as uncollectable	(87)	(3)
At 31 March	1,663	742

As of 31 March 2018, receivables with a carrying value of £1.663m (2017: £0.742m) were impaired and provided for. The ageing of these receivables is as follows:

	2018 £'000	2017 £'000
Over 6 months past due	1,663	742

The receivables assessed as individually impaired were mainly English, Welsh and Irish NHS Trusts/ Health Authorities, other Health Bodies, overseas patients, research companies and private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2018, receivables with a carrying value of £5.058 million (2017: £2.959 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2018 £'000	2017 £'000
Up to 3 months past due	3,549	1,075
3 to 6 months past due	211	697
Over 6 months past due	2,306	1,187
	6,066	2,959

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

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

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

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

	2018 £'000	2017 £'000
Existing customers with no defaults in the past	5,058	2,959

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.

	2018 £'000	2017 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	123,343	96,830

All non-current receivables are due within 2 years (2016-17: 2 years) from the balance sheet date.

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

The fair value of long term other receivables is £87.824m (2016-17: £62.893m).

The effective interest rate on non-current other receivables is -0.75% (2016-17: -0.75%). Pension liabilities

GRAMPIAN HEALTH BOARD

10. FINANCIAL ASSETS

	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Group 2017/18 £'000	NHS Grampian 2016/17 £'000	Restated Charitable Endowment Funds 2016/17 £'000	Restated Group 2016/17 £'000
Stocks and Bonds **	0	41,528	41,528	0	44,248	44,248
Other *	449	0	449	459	0	459
TOTAL	449	41,528	41,977	459	44,248	44,707
At 1 April	459	44,248	44,707	1,217	42,138	43,355
Additions	0	3,528	3,528	168	7,971	8,139
Disposals	(10)	(5,528)	(5,538)	(926)	(12,251)	(13,177)
Revaluation (deficit)/surplus transferred to equity	0	(720)	(720)	0	6,390	6,390
At 31 March	449	41,528	41,977	459	44,248	44,707
Current	0	0	0	0	0	0
Non-current	449	41,528	41,977	459	44,248	44,707
At 31 March	449	41,528	41,977	459	44,248	44,707

Note:

*Other financial assets comprise a further small shareholding in HUB North of Scotland Ltd an unlisted investment denominated in UK pounds and £459k 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 Centre's

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 01/04/17 £'000	Cash Flow £'000	At 31/03/18 £'000	Restated at 01/04/17 £'000	Cash Flow £'000	At 31/03/18 £'000	At 01/04/17 £'000	Cash Flow £'000	At 31/03/18 £'000	Restated at 01/04/17 £'000	Cash Flow £'000	At 31/03/18 £'000
Government Banking Service account balance	468	97	565	4,004	1,003	5,007	20	(20)	0	4,492	1,080	5,572
Cash at bank and in hand	120	(17)	103	0	0	0	0	0	0	120	(17)	103
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	588	80	668	4,004	1,003	5,007	20	(20)	0	4,612	1,063	5,675
CASH AND CASH EQUIVALENTS - PRIOR YEAR												
	At 01/04/16 £'000	Cash Flow £'000	At 31/03/17 £'000	Restated at 01/04/16 £'000	Cash Flow £'000	At 31/03/17 £'000	At 01/04/16 £'000	Cash Flow £'000	At 31/03/17 £'000	Restated at 01/04/16 £'000	Cash Flow £'000	At 31/03/17 £'000
Government Banking Service account balance	309	159	468	3,162	842	4,004	46	(26)	20	3,517	975	4,492
Cash at bank and in hand	32	88	120	0	0	0	0	0	0	32	88	120
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Total cash and cash equivalents - balance sheet	341	247	588	3,162	842	4,004	46	(26)	20	3,549	1,063	4,612

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 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Group 2017/18 £'000	NHS Grampian 2016/17 £'000	Charitable Endowment Funds 2016/17 £'000	Intra Group Adjustments 2016/17 £'000	Group 2016/17 £'000
Payables due within one year								
NHS Scotland Boards	5,147			5,147	4,184			4,184
NHS Non-Scottish Bodies	680			680	282			282
Amounts Payable to General Fund	668			668	588			588
FHS Practitioners	15,689			15,689	15,607			15,607
Trade Payables	6,997			6,997	5,671			5,671
Accruals	56,632	119	(2,574)	54,177	41,150	74	(361)	40,863
Deferred income	1,674			1,674	1,696			1,696
Net obligations under Finance Leases	292			292	394			394
Net obligations under PPP/PFI Contracts	458			458	384			384
Income tax and social security	12,088			12,088	11,388			11,388
Superannuation	8,342			8,342	8,175			8,175
Holiday Pay Accrual	3,063			3,063	3,565			3,565
Other Public Sector Bodies	7,710	2,566		10,276	9,021	351		9,372
Other payables	2,330			2,330	1,917			1,917
Total Payables due within one year	121,770	2,685	(2,574)	121,881	104,022	425	(361)	104,086
Payables due after more than one year								
Net obligations under Finance Leases due within 2 years	312	0	0	312	292	0	0	292
Net obligations under Finance Leases due after 2 years but within 5 years	1,069	0	0	1,069	1,002	0	0	1,002
Net obligations under Finance Leases due after 5 years	3,394	0	0	3,394	3,774	0	0	3,774
Net obligations under PPP/PFI Contracts due within 2 years	498	0	0	498	420	0	0	420
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	1,764	0	0	1,764	1,504	0	0	1,504
Net obligations under PPP/PFI Contracts due after 5 years	21,375	0	0	21,375	20,685	0	0	20,685
Total Payables due after more than one year	28,412	0	0	28,412	27,677	0	0	27,677
TOTAL PAYABLES	150,182	2,685	(2,574)	150,293	131,699	425	(361)	131,763
WGA Classification								
NHSScotland	5,147			5,147	4,184			4,184
Central Government Bodies	20,500			20,500	19,666			19,666
Whole of Government Bodies	7,641			7,641	8,916			8,916
Balances with NHS Bodies in England and Wales	680			680	282			282
Balances with bodies external to Government	116,214			116,214	98,651			98,651
Total	150,182			150,182	131,699			131,699
Borrowings included above comprise:								
Finance Leases	5,067			5,067	5,462			5,462
PFI Contracts	24,095			24,095	22,993			22,993
	29,162			29,162	28,455			28,455
The carrying amount and fair value of the non-current borrowings are as follows :								
Carrying amount								
Finance Leases	4,775			4,775	5,068			5,068
PFI Contracts	23,637			23,637	22,609			22,609
	28,412			28,412	27,677			27,677
The carrying amount of payables are denominated in Pound Sterling	150,182	2,685	(2,574)	150,293	131,699	425	(361)	131,763

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

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 2017	5,722	67,602	44,058	117,382	4,868	4,868	122,250
Arising during the year	138	28,199	12,095	40,432	5,531	5,531	45,963
Utilised during the year	(431)	(3,512)	(2,282)	(6,225)	(3,018)	(3,018)	(9,243)
Unwinding of discount	190	0	(225)	(35)	0	0	(35)
Reversed unutilised	(282)	(1,683)	(4,490)	(6,455)	(709)	(709)	(7,164)
At 31 March 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771

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 2018

	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	391	4,810	8,912	14,113	6,054	6,054	20,167
Payable between 2 - 5 years	1,558	85,796	34,476	121,830	618	618	122,448
Payable between 6 - 10 years	1,644	0	1,234	2,878	0	0	2,878
Thereafter	1,744	0	4,534	6,278	0	0	6,278
Total as at 31 March 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771

PRIOR YEAR

	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 2016	5,360	20,968	23,869	50,197	3,884	3,884	54,081
Arising during the year	659	51,596	26,159	78,414	4,319	4,319	82,733
Utilised during the year	(447)	(2,099)	(1,750)	(4,296)	(2,791)	(2,791)	(7,087)
Unwinding of discount	286	0	(25)	261	0	0	261
Reversed unutilised	(136)	(2,863)	(4,195)	(7,194)	(544)	(544)	(7,738)
At 31 March 2017	5,722	67,602	44,058	117,382	4,868	4,868	122,250

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 2017

	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	403	5,720	11,080	17,203	3,564	3,564	20,767
Payable between 2 - 5 years	1,610	61,882	23,760	87,252	1,304	1,304	88,556
Payable between 6 - 10 years	1,774	0	1,136	2,910	0	0	2,910
Thereafter	1,935	0	8,082	10,017	0	0	10,017
At 31 March 2017	5,722	67,602	44,058	117,382	4,868	4,868	122,250

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 0.1% (2016/17 0.24%) 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 (2016/17 negative 0.75%). The impact of this provision is offset by an associated receivable disclosed in note 13, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS*).

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

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

2016/17 £000's		Note	2017/18 £000's
67,602	Provision recognising individual claims against the NHS Board at 31 March	Note 13	90,606
(66,591)	Associated CNORIS receivable at 31 March	Note 9	(89,785)
44,058	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 13	49,156
45,069	Net Total Provision relating to Clinical Negligence and Other Risks at 31 March (**)		49,977

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 total net 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 :

	2017/18	2016/17
	£000	£000
CONTINGENT LIABILITIES*		
Clinical and medical compensation payments	13,370	12,405
CONTINGENT ASSETS**		
Clinical and medical compensation payments	12,729	11,538

*The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 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 :

	2017/18 £000	2016/17 £000
Contracted		
ARI Phase 2 - Section 5	5,204	0
Stonehaven Renal	134	0
Phase 1 ARI - Eye Outpatients	973	0
IM&T Building Electrical Resilience	222	0
Spynie Demolition	468	0
RCH Anti-ligature	726	0
ARI Concourse	329	0
Energy Centre Gas Compressor	66	0
ICU Electrical Works	58	0
CT Scanner - Dr Grays	640	0
Labs Enabling Works	0	195
ARI Multi Storey Car Park	0	6,145
ENT/Audiology accommodation	0	30
Peterhead Maternity	0	716
Phase 1 ARI - Drainage	0	129
Baird and Anchor	0	167
Fluroscopy Enabling Works	0	258
ARI Mortuary	0	168
Total	8,820	7,808
Authorised but not Contracted		
Baird & Anchor (Outline Business Case Approved)	160,452	0
Denburn Health Centre (Initial Agreement Approved)	8,100	0
ARI Phase 2 Backlog Maintenance	0	1,302
Total	168,552	1,302

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

- In December 2016 NHS Grampian completed financial close on the project agreement with HUB North of Scotland Ltd to replace Foresterhill Health Centre and Inverurie Health and Care Centre. Under the terms of this agreement HUB North of Scotland Ltd will finance, build and maintain the facilities and in return NHS Grampian have a legal commitment to occupy the buildings throughout the 25 year period of the contract from practical completion estimated as April 2018 for Foresterhill and July 2018 for Inverurie. The estimated construction costs to be met by HUB North of Scotland Ltd are £14.9m for Inverurie and £8.2m for Foresterhill and the annual charges to be met by NHS Grampian are estimated at £0.7 million per annum for Foresterhill and £1.2 million per annum for Inverurie.
- In September 2017 NHS Grampian issued an invitation to tender for a managed services contract supporting essential analytical functions within the Biochemistry, Pathology, Haematology, Immunology, Bacteriology and Virology laboratories. The evaluation of bidders is expected to be complete by June 2018 and with an implementation commencing soon thereafter. Final acceptance is expected to occur from April 2019. The contract is estimated to cost in the region of £5m per annum, with a term of 10 years from the date of final acceptance 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.

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:	2017/18 £'000	2016/17 £'000
Land		
Not later than one year	220	265
Later than one year, not later than 2 years	220	220
Later than two year, not later than five years	659	659
Later than five years	<u>1,670</u>	<u>1,888</u>
Total	<u>2,769</u>	<u>3,032</u>
Buildings		
Not later than one year	538	535
Later than one year, not later than 2 years	536	535
Later than two year, not later than five years	1,452	1,530
Later than five years	<u>2,782</u>	<u>3,206</u>
Total	<u>5,308</u>	<u>5,806</u>
Other		
Not later than one year	169	154
Later than one year, not later than 2 years	278	196
Later than two year, not later than five years	335	541
Later than five years	<u>0</u>	<u>0</u>
Total	<u>782</u>	<u>891</u>
Amounts charged to Operating Costs in the year were:		
Hire of equipment (including vehicles)	1,524	1,231
Other operating leases	1,378	1,278
Total	<u>2,902</u>	<u>2,509</u>

Finance Leases

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

Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	815	983
Rentals due between one and two years (inclusive)	823	815
Rentals due between two and five years (inclusive)	2,499	2,480
Rentals due after five years	<u>7,139</u>	<u>7,982</u>
	11,276	12,260
Less interest element	(6,209)	(6,798)
	<u>5,067</u>	<u>5,462</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 14th November 2013, Woodside Fountain Health Centre effective 28 June 2014, Forres Health and Community Care Centre effective 9 August 2014 and the Energy Centre at Inverurie effective 16 January 2018 (phase 1 of a three phase project with Foresterhill Health Centre (Phase 2) and Inverurie Health and Community Care Hub (Phase 3) to be completed during 2018/19). 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).

	2017/18 £'000	2016/17 £'000
Gross Minimum Lease Payments		
Rentals due within 1 year	2,253	2,159
Due within 1 to 2 years	2,260	2,166
Due within 2 to 5 years	6,815	6,534
Due after 5 years	37,637	38,042
Total	48,965	48,901
Less Interest Element		
Rentals due within 1 year	(1,795)	(1,775)
Due within 1 to 2 years	(1,762)	(1,746)
Due within 2 to 5 years	(5,051)	(5,030)
Due after 5 years	(16,262)	(17,357)
Total	(24,870)	(25,908)
Present value of minimum lease payments		
Rentals due within 1 year	458	384
Due within 1 to 2 years	498	420
Due within 2 to 5 years	1,764	1,504
Due after 5 years	21,375	20,685
Total	24,095	22,993
Service elements due in future periods		
Rentals due within 1 year	835	761
Due within 1 to 2 years	850	774
Due within 2 to 5 years	2,655	2,419
Due after 5 years	17,499	16,845
Total	21,839	20,799
Interest charges	1,785	1,803
Service charges	763	739
Principal repayment	399	350
Other charges (Contingent rents)	(9)	(15)
Total	2,938	2,877

GRAMPIAN HEALTH BOARD

18. PENSION COSTS

	2018 £000	2017 £000
Pension cost charge for the year	60,405	58,677
Additional Costs arising from early retirement	22	0
Provisions included on the Statement of Financial Position	5,337	5,722

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, is set at 14.9% of pensionable pay from 1 April 2015. The employee rate is variable and will provide an actuarial yield of 9.8% of pensionable pay.

The pension liability at 31 March 2017 was £59.7 billion (March 2016: £44.8 billion). The last four-yearly actuarial valuation, undertaken as at 31 March 2012, identified a shortfall of £1.4 billion in the notional fund which will be repaid by a supplementary rate of 2.6% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employer's contribution rate. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

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 2017/18, normal employer contributions of £60.4 million were payable to the SPPA (2016/17 £58.7 million) at the rate of 14.9% of pensionable salaries. The total contributions made to the scheme, across all employers, for 2016/17 were £753.9 million (2015/16 £739.2 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2016/17 was 7.8% (2015/16 7.7%).

During 2017/18 NHS Grampian incurred £0.022m additional costs arising from the early retirement of staff (2016/17 no additional costs were incurred).

Provisions amounting to £5.33 million (2016/17 £5.72 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 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The 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.

GRAMPIAN HEALTH BOARD

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 $1/80^{\text{th}}$ of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5.2% and 14.7% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

The 2008 Section

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

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Grampian. The comparative information in respect of 2016-17 has been presented in the new format in the SoCNE. No retrospective restatements were required.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS Grampian's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3.

	2016/17
	£'000
2016/17 expenditure as published	
Hospital and Community	1,405,957
Family Health	256,283
Administration Costs	3,775
Other Non-Clinical Services	81,033
Gross expenditure for the year	<u>1,747,048</u>
Restated NHS Grampian Endowment funds expenditure 2016/17	256
Restated Gross expenditure for the year	<u>1,747,304</u>
2016-17 expenditure conforming to the new presentation	
Staff Costs	581,922
Independent Primary Care Services	140,460
Drugs and Medical Supplies	220,984
Other Health Care Expenditure	803,938
Gross expenditure for the year	<u>1,747,304</u>
Movement in Gross Expenditure for the year	<u>0</u>
2016/17 income as published	
Hospital and Community Income	597,425
Family Health Income	8,508
Administration Income	0
Other Operating Income	55,536
Total	<u>661,469</u>
2016-17 expenditure conforming to the new presentation	
Operating Income	661,469
Total	<u>661,469</u>
Movement in Gross Expenditure for the year	<u>0</u>

GRAMPIAN HEALTH BOARD

20. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	Loans and Receivables £'000	Available for sale £'000	Total £'000	Loans and Receivables £'000	Available for sale £'000	Total £'000	Loans and Receivables £'000	Available for sale £'000	Total £'000	Loans and Receivables £'000	Available for sale £'000	Total £'000
At 31 March 2018												
Assets per Statement of Financial Position												
Investments	0	449	449	0	41,528	41,528	0	0	0	0	41,977	41,977
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	19,784	0	19,784	49	0	49	(2,574)	0	(2,574)	17,259	0	17,259
Cash and cash equivalents	668	0	668	5,007	0	5,007	0	0	0	5,675	0	5,675
	20,452	449	20,901	5,056	41,528	46,584	(2,574)	0	(2,574)	22,934	41,977	64,911

PRIOR YEAR

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2017												
Assets per Statement of Financial Position												
Investments	0	459	459	0	44,248	44,248	0	0	0	0	44,707	44,707
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	17,210	0	17,210	57	0	57	(381)	0	(381)	16,886	0	16,886
Cash and cash equivalents	588	0	588	4,050	0	4,050	(26)	0	(26)	4,612	0	4,612
	17,798	459	18,257	4,107	44,248	48,355	(407)	0	(407)	21,498	44,707	66,205

FINANCIAL LIABILITIES

		Other financial liabilities £'000						
At 31 March 2018								
Liabilities per Statement of Financial Position								
Finance lease liabilities		5,067		0		0		5,067
HUB Service Concession Liabilities		24,095		0		0		24,095
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		93,769		2,685		(2,574)		93,880
		122,931		2,685		(2,574)		123,042

PRIOR YEAR

At 31 March 2017								
Liabilities per Statement of Financial Position								
Finance lease liabilities		5,462		0		0		5,462
HUB Service Concession Liabilities		22,993		0		0		22,993
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		77,801		425		(361)		77,865
		106,256		425		(361)		106,320

GRAMPIAN HEALTH BOARD

20. 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2018				
PFI Liabilities	2,253	2,260	6,815	37,637
Finance lease liabilities	815	823	2,499	7,139
Trade and other payables excluding statutory liabilities	93,880	0	0	0
Total	96,948	3,083	9,314	44,776

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2017				
PFI Liabilities	2,159	2,166	6,534	38,042
Finance lease liabilities	983	815	2,480	7,982
Trade and other payables excluding statutory liabilities	77,801	0	0	0
Total	80,943	2,981	9,014	46,024

GRAMPIAN HEALTH BOARD

20. 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.

21. THIRD PARTY ASSETS

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

	2016/17	Gross	Gross	2017/18
	£000	Inflows	Outflows	£000
		£000	£000	
Monetary amounts including bank balances	379	224	(290)	313

GRAMPIAN HEALTH BOARD

22. RELATED PARTIES

Integration Joint Boards (IJB's)

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 2017/18 :-

- Aberdeen City – Income £218.15m, expenditure £217.6m and a retained creditor balance of £5.2m, after accounting for the in-year deficit of £0.46 million (2016/17 income £188.35 million, expenditure £194 million and a year-end creditor balance of £5.65 million).
- Aberdeenshire – Income £203.67 million, expenditure £202.71 million and a debtor balance £0.94 million (2016/17 Income £174.23 million, expenditure £174.78 million and a year end creditor balance £0.55 million, of which £0.53m was paid across to Aberdeenshire council during 2017/18).
- Moray – Income £85.9 million, expenditure £85.2 million and a year end creditor balance of £0.7 million, after accounting for the year end deficit of £0.704 million. (2016/17 Income £72.56 million, expenditure £73.96 million and a year end creditor balance of £1.4 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 2018 was £37.227 million (2016/17 restated £43.016 million). During the year payments totalling £3.887 million (2016/17 £4.392 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 £0.2 million (2016/17 £0.495 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 (FRM) 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