

annualaccounts

Grampian Health Board



2011 - 2012

GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)

ANNUAL ACCOUNTS 2011-2012

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GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS

DIRECTORS' REPORT

Naming Convention

NHS Grampian is the common name of Grampian Health Board.

Principal activities and review of the business and future developments

The information that fulfils the requirements of the business review, principal activities and future developments can be found in the Operating and Financial Review on Page 6-10, which is incorporated in this report by reference.

Date of Issue

The Accounting Officer authorised these financial statements for issue on 25 June 2012.

Going Concern

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

Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 75 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2011/12 to 2015/16, the Auditor General appointed Deloitte LLP, to undertake the audit of Grampian Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Role and Function of the Board

Grampian Health Board, commonly known as NHS Grampian, was established in 1974 under the National Health Services (Scotland) Act 1974 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 NHS Grampian is to:

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

Board Membership

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

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

Non-Executive Members

Mr David Anderson
Councillor Lee Bell
Mr Raymond Bisset
Dr David Cameron (Chair until 30 November 2011)
Councillor Katharine Dean
Mrs Sharon Duncan (from 5 March 2012)
Mrs Jennifer Greener
Professor Neva Haites
Councillor Bill Howatson (Acting Chair from 10 August 2011/appointed Chair from 1 December 2011)
Mrs Linda Juroszek (from 1 May 2011)
Mrs Christine Lester
Mr Terry Mackie
Professor Valerie Maehle
Mr Charles Muir
Dr John Reid (to 30 April 2011)
Mr Michael Scott
Mr Gordon Stephen (to 5 March 2012)

Executive Members

Mr Richard Carey	Chief Executive
Dr Roelf Dijkhuizen	Medical Director
Mr Alan Gall	Director of Finance and Deputy Chief Executive (until 31 August 2011)
Mr Alan Gray	Director of Finance (from 23 August 2011)
Sir Lewis Ritchie	Director of Public Health (from 1 February 2012)
Mrs Elinor Smith	Director of Nursing and Quality
Dr Lesley Wilkie	Director of Public Health and Planning (until 18 December 2011)

The Board members' responsibilities in relation to the accounts are set out in a statement on page 16.

Board Members' Interests

Details of any interests of Board Members in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 28.

The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public by contacting the Legal Advisor on 01224 558496. The Board Members declared in advance any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement.

Pension Liabilities

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

Remuneration for Non Audit Work

Deloitte LLP, the Boards external auditors, received no fees for non audit related work during 2011/12.

PricewaterhouseCoopers who provide an Internal Audit Service to NHS Grampian were paid £54,515 before VAT for non-audit work.

Public Services Reform (Scotland) Act 2010

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

Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. Prior to this, NHS Grampian endeavoured to comply with the principles of the Better Payment Practice Code (<http://www.payontime.co.uk>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.

Payment performance has been actively managed during the year.

In 2011/12, the average credit taken was 5 days (2010/11: 4 days).

In 2011/12, 95% of invoices by value (2010/11 98%) and 94% of invoices by volume (2010/11 98%) were paid within 30 days.

In 2011/12, 91% of invoices by value (2010/11 98%) and 86% of invoices by volume (2010/11 96%) were paid within 10 days.

Corporate Governance

The NHS Grampian 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 ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole. The main functions of the Board comprise:

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

The Board is supported by the work of various committees.

The main functions and membership of the Board sub committees during 2011/12 were as follows:

Clinical Governance Committee

The Clinical Governance Committee meets four times per year. The main duties are as follows:

- Provide a strategic oversight of systems and procedures for clinical governance arrangements;
- Support and monitor the implementation of dynamic clinical governance arrangements;
- Report regularly to the Board on the progress and effectiveness of the clinical governance arrangements; and
- Promote a fair and just culture to encourage continuous quality improvement within all of NHS Grampian's clinical services.

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

Audit Committee

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

- The regular review of the role, function and performance of the Internal Audit service;
- The review of external audit arrangements;
- The review and monitoring of adherence to the Board's Standing Orders and Standing Financial Instructions; and
- Ensuring that effective internal control systems are maintained and corporate governance matters are observed.

Membership: Councillor Bill Howatson (Chair to 10 August 2011), Mr David Anderson (Acting Chair from 10 August 2011), Mrs Christine Lester, Mr Terry Mackie, Mr Charles Muir, Mr Gordon Stephen (to 5th March 2012) and Mrs Sharon Duncan (from 5th March 2012). Councillor Howatson stepped down as a member of the Audit Committee on appointment as Acting Chair of the NHS Grampian Board.

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

Membership: Mr Michael Scott (Chair), Mr David Anderson, Dr David Cameron (to 10 August 2011), Councillor Katharine Dean, Mrs Sharon Duncan (from 5 March 2012), Councillor Bill Howatson (from 10 August 2011), Mrs Linda Juroszek (from 1 May 2011), Mr Gordon Stephen (to 5 March 2012) and Dr John Reid (to 30 April 2011), There is Executive Director and Staff Side representation at each meeting.

Ethics Committees

North of Scotland Research Ethics Committees

The North of Scotland Research Ethics Committees serves the North of Scotland, encompassing Grampian, Highland and Islands, Orkney and Shetland. There are two committees which provide independent advice on the extent to which proposals for research studies comply with recognised ethical standards. The purpose of a Research Ethics Committee in reviewing proposed studies is to protect the dignity, rights, safety and well being of all actual or potential research participants. Each Committee meets approximately once a month. The Committees comprise lay members, expert members, nurses, other clinicians, pharmacists and research scientists.

Committee 1 Chair: Professor Siladitya Bhattacharya, Consultant in Obstetrics and Gynaecology.

Committee 2 Chair: Dr Alex Johnstone, Non-Medical Research Specialist (Acting Chair to October 2011: Dr Ruth Stephenson, Consultant in Anaesthesia).

Patient Focus and Public Involvement Committee

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

Membership: Dr David Cameron (Chair to 10 August 2011), Mr Raymond Bisset (Chair from 10 August 2011), Mrs Sharon Duncan (from 5 March 2012), Councillor Bill Howatson, Mrs Jenny Greener, Mrs Christine Lester, Mrs Linda Juroszek (from 1 May 2011), Dr John Reid (to 30 April 2011) and Mr Gordon Stephen (to 5 March 2012). There is also Executive Director and extensive staff, clinical, management and public representation attendance at meetings.

Discipline Committee

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

Clinical Ethics Committee

Chairperson: Dr Ruth Stephenson, Consultant Anaesthetist.

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

eHealth Committee

Chairperson: Councillor Katharine Dean.

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

Endowment Committee

Chairperson: Mr Raymond Bisset.

The Endowment Committee oversees the management of the NHS Grampian Endowment Fund, which had assets at 31 March 2012 valued at £34.9 million (31 March 2011 valued at £33.4 million).

Performance Governance Committee

Chairperson: Dr David Cameron (until 10 August 2011), Councillor Bill Howatson (from 10 August 2011).

The Performance Governance Committee (PGC) monitors and supports performance management arrangements across NHS Grampian and promotes a culture of continuous, system wide performance improvement. The PGC has three sub committees, one for each of the Community Health Partnerships.

Service Strategy and Redesign Committee

Chairperson: Professor Neva Haites.

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

Spiritual Care Committee

Chairperson: Dr David Cameron (until 10 August 2011), Councillor Bill Howatson (from 10 August 2011).

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

Disclosure of Information to Auditors

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

Human Resources

NHS Grampian provides employees with information on matters of concern to them as employees through a range of communication methods including the local intranet, Team Brief, global e-mails and the Upfront Newspaper. The organisation consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process. As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board.

Events after the end of the reporting period

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

Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 27.



Mr Richard Carey
Chief Executive
Grampian Health Board

25 June 2012

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Principal Activities and Review of the Year

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

During 2011/12 a detailed implementation framework was developed for the Health Plan. This Health and Care Framework set out a range of actions aimed at transforming the approach to service delivery and the health and wellbeing of the population of Grampian. The Framework was developed with the involvement of local authority and third sector partners, as well as many members of the public. Part of the Framework has been the completion of a clear and practical vision for NHS Grampian in 2020 and this has achieved wide ownership by the public and staff. The Health and Care Framework was approved by the NHS Grampian Board in October 2011 and this has stimulated a range of actions which continue to be implemented on a cross system basis.

Integration has been the major theme to emerge from the Health and Care Framework process. The integration of services and approaches to health and care will guide the way forward to provide person centred care. NHS Grampian has agreed to support the development of general practice groupings – clusters – across Grampian. The clusters will be the local focus for integration of all care services provided by the NHS, local authorities and the third sector. The clusters will also support individuals and families within localities to maintain health and wellbeing to ensure that health services are used efficiently and effectively. Primary and acute care integration is agreed as a focus for effort – clusters will also be a focus for this integration with acute specialties being aligned to clusters with the aim of improving pathways, providing feedback on referrals and supporting the effective management of the whole system.

Participation in the formal health and social care integration agenda has also been a priority for NHS Grampian during 2011/12. As well as having an identified senior manager lead for health and social care integration the Board has contributed to the debate on the way that the NHS and local authorities will integrate approaches and this has provided a good foundation for further work with the three local authorities in the Grampian area.

Grampian Health Board remained in financial balance in 2011/12 and further information on its financial performance is included in the section on Financial Performance and Position on page 7.

Performance against other key targets in 2011/12 was measured using key performance indicators set by the Scottish Government Health Directorate to hold Boards to account. Information on Grampian Health Boards performance in relation to these indicators is detailed in the section on Performance against Key Non Financial Targets on pages 8 and 9.

Counter Fraud Services

In 2011, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for Grampian Health Board indicates that the level of income that could have been generated from prescription, dental and ophthalmic charges in the year to 31 December 2011 could amount potentially to £0.2 million (2010: £1.2 million). The reduction in this figure over the prior year relates to the abolition of NHS prescription charges in Scotland from 1 April 2011.

Capital Assets

The Board has managed a significant capital programme during 2011/12 totalling £67.2m. Investment was targeted at supporting the strategic changes set out in the Health Plan and eliminating the backlog maintenance associated with many healthcare premises in the area. The profile of investment included £3.8m on medical equipment, £1.4m on eHealth projects, £5.5m on intermediate care including Chalmers Hospital in Banff and the Aberdeen Health and Community Care Village, £53m on Acute and Specialist services mainly on the Foresterhill site with the ongoing development of the Emergency Care Centre and the Energy Centre and £3.5m on other infrastructure projects including additional investment on improving facilities to deal with health acquired infection.

NHS Grampian carries out a revaluation of land annually and operates a rolling programme of building revaluation to ensure all properties are formally revalued over a five year period. Interim valuations of properties, on the basis of indices, are made annually for the portion of the estate not included in that year's formal revaluation programme. The revaluation of properties as at 31 March 2012 resulted in a net increase in the carrying value of these assets of £4.120 million.

Financial Performance and Position

The Scottish Government Health and Social Care Directorates continue to set three financial limits at a health board level on an annual basis. These limits are:

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

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

	Limit as set by SGHSCD £000	Actual Out-turn £000	Variance (Over)/Under £000
Core Revenue Resource Limit	779,794	779,722	72
Non Core Revenue Resource Limit	31,378	31,378	-
Core Capital Resource Limit	66,595	66,595	-
Cash Requirement	901,000	900,129	871

Memorandum for In Year Out-turn	£000
Brought forward surplus from previous financial year	(49)
Out Turn against in year Revenue Resource Limit	(23)
Net Saving against Revenue Resource Limit	(72)

An in-year surplus of £0.023million was recorded for the year against a target of breakeven resulting in a small over-achievement against target.

Total efficiency savings of £20.7million were achieved against a requirement of £20.7million. Recurring savings amounted to £20.2 million and non-recurring £0.5 million.

Staff Governance

Work has continued throughout the year on progress towards the objectives outlined in the NHS Grampian People Strategy (2009 to 2012). Progress is jointly monitored throughout the year by both the Grampian Area Partnership Forum (GAPF) and the Staff Governance Committee.

Major achievements during the year include the continued implementation, in partnership, of the Safe Affordable Workforce Project which has delivered a managed reduction in staffing levels across NHS Grampian without adverse impact on patient care. The Safe Affordable Workforce project is now being integrated into the Workforce Planning process. During the year we also implemented in partnership a further voluntary severance scheme and a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need. The HR Service Centre took on the management and delivery of the payrolls for NHS Shetland and NHS Orkney and an SLA was agreed and delivered to assist in the provision of HR services for NHS Orkney. Further work was carried out on the challenging Health and Safety agenda which saw relationships with the Health and Safety Executive strengthened further. Following successful completion of the 2010/11 HEAT target regarding progress to implementing KSF work has continued to embed this across NHS Grampian. In addition, the continuing development and implementation, in partnership of a short term attendance management pilot has delivered approximately 20% reduction in sickness episodes in pilot areas and has contributed towards achievement of the overall annual sickness absence rate.

The overall sickness absence rate was 4.2% in 2011/12 (4.3% 2010/11).

Performance against Key Non Financial Targets

Key Performance Indicators

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

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

NHS Grampian's planned performance against the HEAT indicators feature in the Board's Local Delivery Plan which represents the annual performance improvement agreement between the Board and the Scottish Government. This performance is reviewed in public each year at an Annual Review meeting. The outcome of the Annual Review is captured in a formal letter to the Board, which then forms the basis of the Board's Annual Report. A full performance report is made available to the public in advance of the Annual Review which for 2011/12 will be held on 4th September 2012.

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

Health Improvement

- NHS Grampian has continued to put considerable focus on improving dental services over the last few years. The new dental school in Aberdeen opened in January 2010. The number of salaried and independent dentists has increased by over 100 since 2005. Despite achieving a local target to deliver 120,000 registrations by March 2012, overall NHS registration rates in Grampian remain low in Scottish terms although it is known that private dental care in Grampian is the second highest in the UK. The school dental inspection system inspects the oral health of over 90% of children in primary 1 and primary 7 with levels of no obvious disease above the Scottish average reported and improving.
- NHS Grampian has performed well in the delivery of national lifestyle targets in 2011/12. Full year data are not yet available but indications are that targets will be achieved in full. This includes delivering over 6,000 interventions to address alcohol consumption, encouraging a healthy weight in children through the child healthy weight intervention programme and delivering over 3,600 successful smoking cessation, targeting deprived areas. In addition over 1,500 cardiovascular health checks were undertaken within target populations in 2011/12. Over 30% children were exclusively breastfed (at age 6-8 weeks).

Efficiency and Governance

- As detailed elsewhere in this report the Board met its three key financial targets in 2011/12.
- There has been continued focus on increasing the efficiency of service provision through modernisation and redesign. The further roll out of patient focused booking for outpatient appointments has led to a fall in the Did Not Attend (DNA) rate to 7.2% in March 2012, well below the Scottish average of around 11%. Action has also been taken to further develop ambulatory care with increasing rates of same day surgery and pre-admission assessment leading to reduced lengths of hospital stay.
- During 2011/12 there has been considerable engagement with primary care. Working towards greater integration, practices are now regularly provided with a suite of management information on their utilisation of secondary care services to promote and encourage review.
- NHS Grampian is making good progress in reducing carbon emissions with developments such as the recently commissioned Biomass Energy Centre on the Foresterhill site which recently received a UK BREEAM award (Building Research Establishment - Environmental Assessment Method). This area is covered in more detail in the section on Sustainability and Environmental on page 10.

Access to Services

- NHS Grampian delivered the 18 week referral to treatment standard one month early in November 2011 and has sustained the performance since then. This was achieved through investment in additional capacity and without the requirement for the payment of enhanced 'waiting list initiative' incentives. Existing stage of treatment targets for outpatient, inpatient and key diagnostic tests were also maintained.
- Full delivery of the 95% target for the proportion of urgent cancer referrals treated within 2 months (62 days) of referral has been problematic during 2011/12. The target was delivered in December 2011 but has since dipped below once more. The main challenge area is colorectal where monthly referrals of suspected cancers has doubled since December. The maximum 31 days 'decision to treat' to treatment generally remains in line with plan.
- There has also been full delivery of access targets for drug and alcohol treatment services. The Timmermarket Clinic, a one-stop centre in Aberdeen opened in May 2011. This houses up to 30 staff, including doctors, nurses, social workers and rehabilitation workers.

Treatment Appropriate to Individuals

- The Board receives regular reports on all aspects of Healthcare Associated Infection, and reducing infection as well as ensuring cleanliness and good clinical practice are high priorities for NHS Grampian. The number of staphylococcus aureus bacteraemia has continued to fall in line with plan with the quarter to December 2011 being exactly on target. The rate of Clostridium difficile infection amongst over 65s has also continued to fall quicker than planned.
- A key tenet of NHS Grampian's Health Plan around ensuring care is provided in the right place by the right person at the right time. There are a number of targets that measure this including attendance rates at Accident and Emergency departments, admission/readmissions to hospital, delayed discharges and the extent of health and social care provided at home. NHS Grampian and partners continue to perform well against most of these targets.

Sustainability and Environmental Reporting

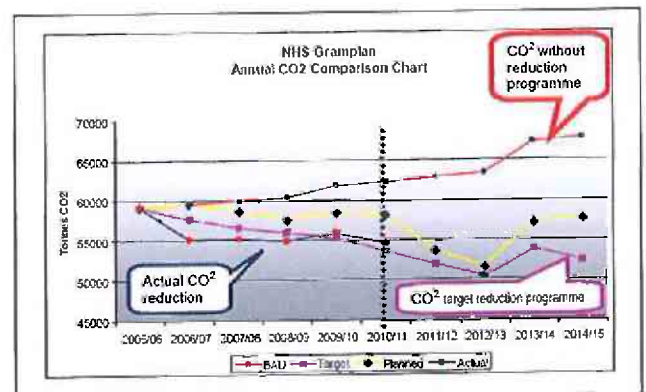
Overview

NHS Grampian has an agreed ten year Carbon Management Implementation Programme (CMIP) with the objective of reducing our carbon impact by 2% year on year from 2005. Achieving this target will meet the Scottish Government's HEAT E8 Phase 1 Target and in so doing avoid costs totalling £6.9 million and 61,000 tonnes of carbon dioxide emissions.

Recently however the Scottish Government has introduced revised targets for the period 2010-15 (the HEAT E8 Phase 2 Target) which now requires a 3% year on year fossil fuel CO₂ emission reduction and achievement of a further 1% year on year energy efficiency target across the whole asset base. NHS Grampian has incorporated these new targets in a Property & Asset Management Strategy 2012 – 2021 which was approved by the Board on 12th June 2012.

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

The NHS Grampian Annual CO₂ Comparison Chart on the right highlights the position up to and including 2011/12. Actual CO₂ emissions are slightly above target but this is primarily due to the retention and use of buildings whilst the new Emergency Care Centre at the Foresterhill Campus is under construction.



Key Environmental Performance Improvement delivery areas:

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

Specific Core Environment Performance Improvements in progress are:

1. Operating and optimising performance of the new Energy Centre at the Foresterhill Campus completed in February 2012. The design incorporates Combined Heat and Power, Biomass steam plant and conventional energy sources. Across a full year the revised design is expected to contribute with estimated savings of 9,570 Tonnes of CO₂ per annum, ensuring a reduction of a 15% on the first full years use in 2012/13.
2. Delivering during 2012/13 the new Emergency Care Centre at the Foresterhill Campus, which is in the final stage of construction and has an indicative energy performance of 46 GJ/100m³.
3. Developing and lodging an application for grant funding to install a Biomass Facility at Royal Cornhill Hospital with estimated savings of 2772 Tonnes of CO₂ per annum. Further future applications for other smaller sites may be lodged where the Board-wide sustainable asset and investment strategy identifies a need and as applicable national grant schemes become available.
4. Assessing and developing solutions across all sites to meet the Scottish Government's Zero Waste Plan, as expected to become law and regulated from May 2012. Banning maceration and food waste to drain is expected to be the first challenging target area.

Directors' Report
REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2012

	Salary (bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2011 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2012 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:								
Executive Members								
Chief Executive	170-175	0	0-2.5	55-60	990	1130	140	2.2
-Mr Richard Carey ****								
Medical Director	175-180	0	2.5-5.0	40-45	767	884	117	0
-Dr Roelf Dijkhuizen *****								
Director of Finance	55-60	0	0-2.5	20-25	558	N/A	N/A	1.3
- Mr Alan Gall (Retired 31/8/11)								
Director of Finance	75-80	0	0-2.5	0-5	0	0	0	1.7
- Mr Alan Gray (from 23/8/11)								
Director of Nursing & Quality	115-120	0	0-2.5	30-35	666	716	50	2.3
- Mrs Elinor Smith								
Director of Public Health	125-130	0	(2.5)-0	50-55	1217	N/A	N/A	0
- Dr Lesley Wilkie (Retired 18/12/11)								
Director of Public Health	15-20	0	N/A	N/A	N/A	N/A	N/A	0
- Sir Lewis Ritchie (from 1/2/12) *								
Non Executive Members								
The Chairman								
Dr David Cameron (until 30/1/11)	20-25	N/A	N/A	N/A	0	0	0	N/A
Councillor Bill Howatson (Chair from 1/12/11) ***	25-30	N/A	N/A	N/A	0	0	0	N/A
Councillor Katharine Dean	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Neva Haites	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Valerie Maehle ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Charles Muir ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Michael Scott	5-10	N/A	N/A	N/A	0	0	0	N/A
Councillor Lee Bell	5-10	N/A	N/A	N/A	0	0	0	N/A
Dr John Reid (to 30/4/11)	0-5	N/A	N/A	N/A	0	0	0	N/A
Mr Terry Mackie	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr David Anderson	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr Raymond Bisset	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Christine Lester	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Jennifer Greener	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Linda Juroszek (from 1/5/11)	5-10	N/A	N/A	N/A	0	0	0	N/A
Employee Director								
Mr Gordon Stephen (Retired 5/3/12) **	110-115	N/A	0-2.5	50-55	1061	N/A	N/A	0
Employee Director								
Mrs Sharon Duncan (from 5/3/12) **	0-5	N/A	0-2.5	20-25	409	459	50	0
Total								7.5

* Sir Lewis Ritchie is an employee of the University of Aberdeen, School of Medicine and Dentistry and is seconded to NHS Grampian as Director of Public Health on a part time basis (7 sessions per week) with effect (from 1/2/12). The remuneration disclosed above represents the direct salary and employer pension contributions reimbursed to the University under the terms of the secondment agreement. Sir Lewis Ritchie is a member of the University of Aberdeen pension scheme (Universities Superannuation Scheme) and the cumulative pension benefit calculations are not available to NHS Grampian.

** Mr Gordon Stephen (to 4/3/12) and Mrs Sharon Duncan (from 5/3/12) worked in a full time capacity as Employee Directors of NHS Grampian

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

**** The increase in salary banding of the Chief Executive compared to the previous year reflects nationally agreed remuneration arrangements for participation in the organisations on call rota during 2011/12.

***** The increase in salary banding of the Medical Director compared to the previous year reflects the entitlement to incremental progression at five yearly intervals under nationally agreed remuneration arrangements for consultant medical staff.

Directors' Report
REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2012

	Salary (bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2011 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2012 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:								
Executive Members								
Chief Executive	170-175	0	0-2.5	55-60	990	1130	140	2.2
-Mr Richard Carey ****								
Medical Director	175-180	0	2.5-5.0	40-45	767	884	117	0
-Dr Roelf Dijkhuizen *****								
Director of Finance	55-60	0	0-2.5	20-25	558	N/A	N/A	1.3
- Mr Alan Gall (Retired 31/8/11)								
Director of Finance	75-80	0	0-2.5	0-5	0	0	0	1.7
- Mr Alan Gray (from 23/8/11)								
Director of Nursing & Quality	115-120	0	0-2.5	30-35	666	716	50	2.3
- Mrs Elinor Smith								
Director of Public Health	125-130	0	(2.5)-0	50-55	1217	N/A	N/A	0
- Dr Lesley Wilkie (Retired 18/12/11)								
Director of Public Health	15-20	0	N/A	N/A	N/A	N/A	N/A	0
- Sir Lewis Ritchie (from 1/2/12) *								
Non Executive Members								
The Chairman								
Dr David Cameron (until 30/1/11)	20-25	N/A	N/A	N/A	0	0	0	N/A
Councillor Bill Howatson (Chair from 1/12/11) ***	25-30	N/A	N/A	N/A	0	0	0	N/A
Councillor Katharine Dean	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Neva Haites	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Valerie Maahle ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Charles Muir ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Michael Scott	5-10	N/A	N/A	N/A	0	0	0	N/A
Councillor Lee Bell	5-10	N/A	N/A	N/A	0	0	0	N/A
Dr John Reid (to 30/4/11)	0-5	N/A	N/A	N/A	0	0	0	N/A
Mr Terry Mackie	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr David Anderson	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr Raymond Bisset	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Christine Lester	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Jennifer Greener	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Linda Juroszek (from 1/5/11)	5-10	N/A	N/A	N/A	0	0	0	N/A
Employee Director								
Mr Gordon Stephen (Retired 5/3/12) **	110-115	N/A	0-2.5	50-55	1061	N/A	N/A	0
Employee Director								
Mrs Sharon Duncan (from 5/3/12) **	0-5	N/A	0-2.5	20-25	409	459	50	0
Total								10.7

* Sir Lewis Ritchie is an employee of the University of Aberdeen, School of Medicine and Dentistry and is seconded to NHS Grampian as Director of Public Health on a part time basis (7 sessions per week) with effect (from 1/2/12). The remuneration disclosed above represents the direct salary and employer pension contributions reimbursed to the University under the terms of the secondment agreement. Sir Lewis Ritchie is a member of the University of Aberdeen pension scheme (Universities Superannuation Scheme) and the cumulative pension benefit calculations are not available to NHS Grampian.

** Mr Gordon Stephen (to 4/3/12) and Mrs Sharon Duncan (from 5/3/12) worked in a full time capacity as Employee Directors of NHS Grampian

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

**** The increase in salary banding of the Chief Executive compared to the previous year reflects nationally agreed remuneration arrangements for participation in the organisations on call rota during 2011/12.

***** The increase in salary banding of the Medical Director compared to the previous year reflects the entitlement to incremental progression at five yearly intervals under nationally agreed remuneration arrangements for consultant medical staff.

Directors' Report
REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2011

	Salary (bands of £5,000)	Performance related bonus (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2011 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2010 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2011 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:								
Executive Members								
Chief Executive	165-170	0	(0.2)-0	50-55	1069	990	(79)	1.9
- Mr Richard Carey								
Medical Director	170-175	0	0-2.5	35-40	795	767	(28)	0
- Dr Roelf Dijkhuizen								
Director of Finance	130-135	0	0-2.5	20-25	546	558	12	3.0
- Mr Alan Gall								
Director of Nursing & Quality	115-120	0	0-2.5	30-35	648	666	18	2.7
- Mrs Elinor Smith								
Director of Public Health	180-185	0	0-2.5	50-55	1193	1217	24	2.4
- Dr Lesley Wilkie								
Director of Human Resources	25-30	0	0-2.5	0-5	51	69	18	0.6
- Mr Mark Sinclair*								
Non Executive Members								
The Chairman	30-35	0	n/a	n/a	n/a	n/a	n/a	n/a
Dr David Cameron	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Katharine Dean	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Neva Haites	10-15	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Elizabeth McDade ***	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Professor Valerie Maehle ***	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Charles Muir ***	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Michael Scott	15-20	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Bill Howatson ***	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Lee Bell	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Dr John Reid (to 30/4/11)	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Terry Mackie	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr David Anderson	5-10	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Raymond Bisset	0-5	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Christine Lester (From 3/11/10)	0-5	0	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Jennifer Greener (From 8/11/10)	0-5	0	n/a	n/a	n/a	n/a	n/a	n/a
Mr Gordon Stephen **	155-160	0	5-7.5	45-50	963	1061	97	0
Total								10.6

* The figures disclosed for Mr Mark Sinclair reflect the period 1/4/10 to 9/6/10. NHS Grampian were notified during the year by the Scottish Government Health Directorate that a pilot arrangement for an alternative NHS Board membership was to be implemented from the 10/6/10. As part of this pilot arrangement the Executive Board Membership is restricted to Chief Executive, Medical Director, Nursing Director, Director of Public Health and Director of Finance.

** Mr Gordon Stephen is a Non-Executive Member of the Grampian NHS Board in his capacity as Employee director of NHS Grampian. All of his time is currently dedicated to his role as Employee Director. The increase in salary from 2009/10 relates to arrears of pay backdated to 1/10/04.

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

Directors' Report

REMUNERATION REPORT (continued)

Remuneration of Executive and Non-Executive Members

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

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

Business Interests

Members of the Board declare any business interests in a Register of Interests and this is amended when any new interests are declared or existing interests cease. The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public by contacting the Legal Advisor on 01224 558496.

Remuneration Committee

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

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

Membership: Mr Michael Scott (Chair), Mr David Anderson, Dr David Cameron (to 10 August 2011), Councillor Katharine Dean, Mrs Sharon Duncan (from 5 March 2012), Councillor Bill Howatson (from 10 August 2011), Mrs Linda Juroszek (from 1 May 2011), Mr Gordon Stephen (to 5 March 2012), Dr John Reid (to 30 April 2011).

Board Members Contracts of Employment

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

Assessment of Performance

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

Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of NHS Grampian in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members is undertaken by the Chief Executive and is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chairman. For Non-Executive members, the process is also undertaken by the Chairman and written evidence is submitted to the Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy.

The progression of the Executive and Senior Management Cohort through the pay range is subject to, as a minimum, the fully acceptable performance of the individual. A National Performance Management Committee has been established as detailed in HDL(2006)54 to ensure, on behalf of the Scottish Government, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives subject to Ministerial Direction.

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 excluding employers pension contributions. The figures disclosed earlier in this remuneration report represent actual earnings for the year inclusive of pension costs.

2011-12		2010-11	
Highest Earning Director's Total Remuneration (£000s)	160-165	Highest Earning Director's Total Remuneration (£000s)	160-165
Median Total Remuneration	27,639	Median Total Remuneration	27,534
Ratio	5.87	Ratio	5.94

Mr Richard Carey
Chief Executive
Grampian Health Board

25 June 2012

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2011/12

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

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of Grampian Health Board.

This designation carries with it, responsibility for:

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

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

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

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



**Mr Richard Carey
Chief Executive
Grampian Health Board**

25 June 2012

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2011/12

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 2012 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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


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**Councillor William Howatson
Chairman
Grampian Health Board**


.....

**Mr Alan Gray
Director of Finance
Grampian Health Board**

25 June 2012

GRAMPIAN HEALTH BOARD

GOVERNANCE STATEMENT

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 NHS Grampian is compliant with the aspects of the UK Corporate Governance Code which are set out within the guidance issued to Chief Executives by Scottish Government Health Directorates as being applicable to NHS Boards.

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

- A Board which meets regularly to consider and approve the strategic direction for the organisation (the Board comprises the senior management of the organisation and Non-Executive members). The Board activity is open to public scrutiny with minutes of meetings publicly available.
- Single system governance and risk management arrangements with clear supporting lines of accountability.
- Board approved scheme of delegation and standing orders.
- The consideration by the Board of periodic reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance and audit committees concerning any significant matters on governance, risk and internal controls.
- Robust prioritisation of risks and allocation of responsibility for mitigating action to named senior officers.
- A strong focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements.
- Clear allocation of responsibilities for ensuring that we continue to review and develop our organisational arrangements and services in line with national standards and guidance.
- Key policies and procedures, including Standing Financial Instructions and the scheme of Delegation, are reviewed annually to assess whether they are relevant and fully reflective of both best practice and mandatory requirements.
- Allocation of responsibilities for the implementation of improvement actions to lead directors and sector management across our clinical and non clinical activities.
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making.

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 Scottish Public Finance Manual (SPFM)¹ and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

Risk and Control Framework

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

- The risk management strategy 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.
- The effectiveness of the Board's Clinical Governance and Risk Management standards has been subject to independent assessment by internal audit and peer review by NHS Quality Improvement Scotland.
- We have implemented an assurance framework which is used by each of the core governance committees to identify and assess risks that fall within their remit.
- Regular reviews of the corporate risk register by the Board, Performance Governance Committee and Executive Team.
- Risk Control Plans have been established for each sector which set out the steps being taken to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects.
- 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.
- We have an IT web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents in line with our risk management strategy.
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area.

In particular, in the period covering the year to 31 March 2012 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's system of internal control:

- Integration of the Efficiency and Productivity Programme Management Office (EPPMO) within a newly established modernisation function. The modernisation function will provide dedicated support to operational management to ensure that there is a structured and co-ordinated approach to the delivery of actions to improve efficiency and productivity.
- Whilst development and training is available for all Board Directors, the specific training requirements of Executive and Non Executive Directors will be formally incorporated into a development plan which will be fully implemented during 2012/13.

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.

Best Value

I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual

NHS Grampian is also committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds. The Board is committed to incorporating the principles of best value within its planning, performance and delivery activities ensuring that it is part of everyday business and integral to the Board's decision making in all key areas.

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.

Review of 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 auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes, together with recommendations for improvement; and
- management letters and other reports issued by external audit.

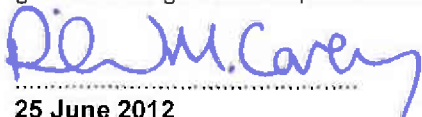
In addition to the above, the processes that have been applied to assist me in reviewing the effectiveness of the system of internal control include:

- Annual statements of assurance from each of the core governance committees of the Board,
- 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,
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee, and
- Consideration and approval of the annual accounts, including the Governance Statement by the Board. 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

On the basis of the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Grampian during the year ended 31 March 2012, I am not aware of any significant control weaknesses or failure to achieve the standards set out in the guidance on governance, risk management and control.


.....
25 June 2012

Mr Richard Carey
Chief Executive
Grampian Health Board

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

We have audited the financial statements of Grampian Health Board for the year ended 31 March 2012 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, Summary of Resource Outturn, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

This report is made solely to the members of Grampian Health Board as a body, the Auditor General for Scotland and the Scottish Parliament, in accordance with Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to the members of Grampian Health Board as a body, the Auditor General for Scotland and the Scottish Parliament those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than to the members of Grampian Health Board as a body, the Auditor General for Scotland and the Scottish Parliament, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board set out on page 15, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In our 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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Deloitte LLP

**Deloitte LLP,
Appointed Auditors
Glasgow,**

29 June 2012

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2012

		2012	* Restated 2011
	Note	£000	£000
Clinical Services Costs			
Hospital and Community	4	707,738	689,403
Less: Hospital and Community Income	8	<u>18,303</u>	<u>18,687</u>
		<u>689,435</u>	<u>670,716</u>
Family Health Services	5	229,176	225,067
Less: Family Health Service Income	8	<u>7,002</u>	<u>8,578</u>
		<u>222,174</u>	<u>216,489</u>
Total Clinical Services Costs		<u>911,609</u>	<u>887,205</u>
Administration Costs	6	4,256	4,424
Other Non-Clinical Services	7	17,771	15,336
Less: Other Operating Income	8	<u>73,450</u>	<u>72,059</u>
		<u>(55,679)</u>	<u>(56,723)</u>
Net Operating Costs		<u>860,186</u>	<u>834,906</u>
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)			
Net (gain) on revaluation of Property Plant and Equipment		(10,487)	(6,949)
Net loss/(gain) on revaluation of Intangibles		701	(197)
Other Comprehensive Expenditure		<u>(9,786)</u>	<u>(7,146)</u>
Total Comprehensive Expenditure		<u>850,400</u>	<u>827,760</u>

* Prior year figures have been restated to reflect the change in accounting policy for donated assets and the transfer of responsibility for the Scottish Prison Health Service. The impact of these changes to prior year figures is summarised in notes 23 and 24 to the accounts.

**SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2012**

SUMMARY OF CORE REVENUE RESOURCE OUTTURN

£000

Net Operating Costs (see below)	860,186
Total Non Core Expenditure	(31,378)
FHS Non Discretionary Allocation	(49,255)
Donated Asset Income	169
Total Core Expenditure	779,722
Core Revenue Resource Limit	779,794
Savings/(excess) against Core Revenue Resource Limit	<u>72</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to Other Bodies	100
Depreciation/Amortisation	22,253
Annually managed Expenditure – Impairments	6,367
Annually managed Expenditure – Creation of Provisions	1,980
Annually managed Expenditure – Depreciation of Donated Assets	678
Total Non Core Expenditure	31,378
Non Core Revenue Resource Limit	31,378
Savings/(excess) against Non Core Revenue Resource Limit	<u>0</u>

SUMMARY RESOURCE OUTTURN	Resource £000	Expenditure £000	Savings/(Excess) £000
Core	779,794	779,722	72
Non Core	31,378	31,378	0
Total	<u>811,172</u>	<u>811,100</u>	<u>72</u>

BALANCE SHEET AS AT 31 MARCH 2012

	Note	As at 31/3/2012 £000	*Restated As at 31/3/2011 £000	*Restated As at 31/3/2010 £000
Non-current assets:				
Property, plant and equipment	11	490,411	443,062	404,955
Intangible Assets	10	1,225	1,813	1,007
Financial assets :				
Available for sale financial assets	14	28	1	1
Trade and other receivables	13	8,584	7,546	6,687
Total non-current assets		<u>500,248</u>	<u>452,422</u>	<u>412,650</u>
Current assets :				
Inventories	12	4,485	3,580	3,689
Financial assets:				
Trade and other receivables	13	31,037	31,479	28,526
Cash and cash equivalents	15	1,581	522	3,304
Assets classified as held for sale	11c	750	257	320
Total current assets		<u>37,853</u>	<u>35,838</u>	<u>35,839</u>
Total assets		<u>538,101</u>	<u>488,260</u>	<u>448,489</u>
Current liabilities				
Provisions	17	(6,044)	(2,630)	(3,204)
Financial liabilities :				
Trade and other payables	16	(84,152)	(85,614)	(106,902)
Total current liabilities		<u>(90,196)</u>	<u>(88,244)</u>	<u>(110,106)</u>
Non-current assets (less) net current liabilities		<u>447,905</u>	<u>400,016</u>	<u>338,383</u>
Non-current liabilities				
Provisions	17	(8,137)	(9,306)	(10,036)
Financial liabilities:				
Trade and other payables	16	(6,677)	(6,904)	(7,055)
Total non-current liabilities		<u>(14,814)</u>	<u>(16,210)</u>	<u>(17,091)</u>
Assets less liabilities		<u>433,091</u>	<u>383,806</u>	<u>321,292</u>
Taxpayers' Equity				
General Fund		356,913	314,396	252,503
Revaluation reserve		76,178	69,410	68,789
Total taxpayers' equity		<u>433,091</u>	<u>383,806</u>	<u>321,292</u>

* Prior year figures have been restated to reflect the change in accounting policy for donated assets, amortisation of the revaluation reserve and the transfer of responsibility for the Scottish Prison Health Service. The impact of these changes to prior year figures is summarised in notes 23 and 25 to the accounts.

Adopted by the Board on 25 June 2012


Mr Richard Carey
Chief Executive


Mr Alan Gray
Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £000	2012 £000	*Restated 2011 £000
Cash flows from operating activities				
Net Operating cost		(860,186)		(834,906)
Adjustments for non-cash transactions	3	30,113		28,735
Add back : interest payable recognised in net operating cost	3	715		742
(Increase)/decrease in trade and other receivables	18	(596)		(3,812)
(Increase)/decrease in inventories	18	(905)		107
(Decrease)/Increase in trade and other payables	18	(1,913)		(17,515)
Increase/(decrease) in provisions	18	2,245		(1,304)
Net cash outflow from operating activities			(830,527)	(827,953)
Cash flows from investing activities				
Purchase of property, plant and equipment		(66,924)		(60,539)
Purchase of intangible assets		(728)		(732)
Investment Additions		(27)		
Proceeds of disposal of property, plant and equipment		35		544
Net cash outflow from investing activities			(67,644)	(60,727)
Cash flows from financing activities				
Funding		899,070		889,568
Movement in general fund working capital		1,059		(2,782)
Cash drawn down		900,129		886,786
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(184)		(146)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(715)		(742)
Net Financing			899,230	885,898
Net Increase/(decrease) in cash and cash equivalents in the period				
			1,059	(2,782)
Cash and cash equivalents at the beginning of the period				
			522	3,304
Cash and cash equivalents at the end of the period				
			1,581	522
Reconciliation of net cash flow to movement in net debt/cash				
Increase/(decrease) in cash in year			1,059	(2,782)
Net cash at 1 April	15		522	3,304
Net debt/cash at 31 March	15		1,581	522

* Prior year figures have been restated to reflect the change in accounting policy for donated assets and the transfer of responsibility for the Scottish Prison Health Service. The impact of these changes to prior year figures is summarised in notes 23 and 26 to the accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011		314,396	69,410	383,806
Prior year adjustments for changes in accounting policy and material errors				
Restated balance at 1 April 2011		<u>314,396</u>	<u>69,410</u>	<u>383,806</u>
Changes in taxpayers' equity for 2011/12				
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11		10,487	10,487
Net (loss)/gain on revaluation/indexation of intangible assets	10		(197)	(197)
Net gain/(loss) on revaluation/indexation of assets held for sale	11c		28	28
Impairment of property, plant and equipment	11		(6,367)	(6,367)
Revaluation & impairments taken to operating costs	3		6,367	6,367
Additional Carbon Allowances under EUETS	10	83		83
Transfers between reserves		3,550	(3,550)	0
Net operating cost for the year		<u>(860,186)</u>		<u>(860,186)</u>
Total recognised income and expense for 2011/12		<u>(856,553)</u>	<u>6,768</u>	<u>(849,785)</u>
Funding:				
Drawn down		900,129	0	900,129
Movement in General Fund (Creditor)/Debtor		<u>(1,059)</u>	<u>0</u>	<u>(1,059)</u>
Balance at 31 March 2012		<u>356,913</u>	<u>76,178</u>	<u>433,091</u>

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

Balance at 31 March 2010		239,314	68,789	308,103
Prior year adjustments for changes in accounting policy and material errors		13,189		13,189
Restarted balance at 1 April 2010		<u>252,503</u>	<u>68,789</u>	<u>321,292</u>
Changes in taxpayers' equity for 2010/11				
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11		6,949	6,949
Net gain/(loss) on revaluation/indexation of intangible assets	10		197	197
Impairment of property, plant and equipment	11		(7,239)	(7,239)
Revaluation & impairments taken to operating costs	3		7,239	7,239
Release of reserves to the Statement of Comprehensive Net Expenditure		(604)		(604)
Transfers between reserves		6,525	(6,525)	
Other non cash costs		1,310		1,310
Net operating cost for the year		<u>(834,906)</u>		<u>(834,906)</u>
Total recognised income and expense for 2010/11		<u>(827,675)</u>	<u>621</u>	<u>(827,054)</u>
Funding:				
Drawn down		886,786		886,786
Movement in General Fund (Creditor)/Debtor		<u>2,782</u>		<u>2,782</u>
Balance at 31 March 2011		<u>314,396</u>	<u>69,410</u>	<u>383,806</u>

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1. Authority

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

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

2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the NHS Grampian Endowment Funds. Transactions between the Board and the NHS Grampian Endowment Funds are disclosed as related party transactions, where appropriate, in note 28.

3. Prior Year Adjustments

There are several changes to the accounting policies adopted in previous years that will require a corresponding adjustment to prior year figures. The prior year adjustments are disclosed in notes 23 to 26.

3.1 Chapter 6 of the 2011/12 FReM amends the financial regime of health bodies to eliminate both the Donated Asset Reserve and Government Grant Reserve. This is a change in accounting policy that will require an adjustment to the prior period reported figures in order to properly reflect the revised costs under the current financial regime. The prior year comparative figures have been adjusted to remove the Donated Asset Reserve of £12.983 million and the Government Grant Reserve of £0.114 million with a corresponding adjustment of £12.625m to the General Fund and £0.472m to the Revaluation Reserves in the Balance Sheet and the Statement of Changes in Taxpayers Equity.

3.2 Chapter 4 of the 2011/12 FReM requires that where there is a substantial transfer of responsibility of one part of the public sector to another, this will be accounted for using merger accounting. This requires prior year Cashflow, Statement of Comprehensive Net Expenditure, Summary of Resource Out turn, Balance Sheet, Statement of Changes in Taxpayers Equity and Notes 3, 4 and 6 to be restated to include the impact of the transfer of the Prison Health Service (prior year expenditure £1.341 million, current assets £0.022 million, current liabilities £0.093 million with a corresponding adjustment to the general fund).

3.3 NHS Scotland Finance Directors have jointly agreed to implement a national single instance of a common fixed asset accounting system. This requires all NHS Scotland Boards to adopt a common accounting methodology for the amortisation of revaluation reserves on non current assets. Consequently, NHS Grampian require to change its accounting methodology to reflect the amortisation of revaluation reserves over the remaining useful life of the assets concerned. The prior year comparative figures have been adjusted to reflect a movement of £2.249 million between the revaluation reserve and the General fund in the Balance Sheet and the Statement of Changes in Taxpayers Equity.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.

- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

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

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

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

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

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

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

Software:

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

Software licences:

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

Carbon Emissions (Intangible Assets):

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

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

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

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

Websites:

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

8.2 Measurement

Valuation:

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

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

Revaluation and impairment:

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

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

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

8.3 Amortisation

Intangible 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.
- 4) Intangible assets which have been reclassified as 'Held for Sale' cease to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

	Useful Life
Information technology	2-5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the current full replacement cost of the asset.

The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual (<http://www.show.scot.nhs.uk/sehd/FPMA/manuals.htm>).

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

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

12. Leasing Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The 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.

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency.

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

18. Clinical and Medical Negligence Costs

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

NHS Grampian provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' at 50% of the claim and those in 'category 1' at nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical

Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

19. Related Party Transactions

Material related party transactions are disclosed in note 28 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

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

21. Provisions

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

22. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 19 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 19, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

23. Corresponding Amounts

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

24. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available for sale financial assets

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

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

(c) Available for sale financial assets

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

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

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

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

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

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

(b) Other financial liabilities

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

Recognition and measurement

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

A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(b) Other financial liabilities

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

25. Segmental reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health, Other Non-Clinical Services and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

26. Cash and cash equivalents

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

27. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

28. Third party assets

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

However, they are disclosed in note 30 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.

Equal Pay Claims: NHS Grampian has 134 outstanding claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. NHS Grampian has used the advice from the NHS Scotland Central Legal Office and Equal Pay Unit. It is not practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that any such estimate would be likely to be misleading.

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

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Grampian. The provision covers all claims classified as category 3 and category 2 which have been assessed as having a probability of settlement.

Fair Value of Property, Plant & Equipment: where appropriate, buildings and other tangible fixed assets were revalued on the basis of indices at 31 March 2012. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor.

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

2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2011-12 Total £000	2010-11 Total £000
STAFF COSTS								
Salaries and wages	660	264	398,337			(560)	398,701	398,749
Social security costs	80	20	32,484				32,584	31,976
NHS pension scheme employer's costs	85	12	45,229				45,326	45,723
Other employer's pension costs	2						2	0
Inward secondees				274			274	285
Agency staff					3,805		3,805	3,898
	<u>827</u>	<u>296</u>	<u>476,050</u>	<u>274</u>	<u>3,805</u>	<u>(560)</u>	<u>480,692</u>	<u>480,631</u>
Compensation for loss of office or early retirement			2,078				2,078	2,305
Total	<u>827</u>	<u>296</u>	<u>478,128</u>	<u>274</u>	<u>3,805</u>	<u>(560)</u>	<u>482,770</u>	<u>482,936</u>

	2012 £000	2011 £000
	392	715

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

2a STAFF NUMBERS AND COSTS cont

	ANNUAL MEAN	
	2011-12	2010-11
STAFF NUMBERS		
(EMPLOYEES BY WHOLE TIME EQUIVALENT)		
Administration Costs	42.8	43.3
Hospital and Community Services	8,111.7	8,243.1
Non Clinical Services	3,412.0	3,507.0
Inward Secondees	4.5	5.5
Agency Staff	38.0	39.0
Outward Secondees	(9.4)	(9.9)
Board Total Average Staff	11,599.6	11,828.0
Staff with a Disability	71.0	74.0

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

11.3

16.3

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

2 (b) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2011-12 No.	2010-11 No.
Clinicians		
£50,000 to £60,000	263	276
£60,001 to £70,000	131	134
£70,001 to £80,000	102	96
£80,001 to £90,000	72	75
£90,001 to £100,000	64	62
£100,001 to £110,000	62	66
£110,001 to £120,000	51	55
£120,001 to £130,000	43	48
£130,001 to £140,000	39	39
£140,001 to £150,000	23	29
£150,001 to £160,000	37	26
£160,001 to £170,000	18	14
£170,001 to £180,000	7	5
£180,001 to £190,000	5	6
£190,001 to £200,000	5	4
£200,001 and above	6	6
Other		
£50,000 to £60,000	66	69
£60,001 to £70,000	30	32
£70,001 to £80,000	18	20
£80,001 to £90,000	8	4
£90,001 to £100,000	1	2
£100,001 to £110,000	3	3
£110,001 to £120,000		4
£120,001 to £130,000	1	2
£130,001 to £140,000		
£140,001 to £150,000	1	3
£150,001 to £160,000	2	
£160,001 to £170,000		
£170,001 to £180,000		
£180,001 to £190,000		
£190,001 to £200,000		1
£200,001 and above		

Note:

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

3. OTHER OPERATING COSTS

	Note	2012 £000	2011 (Restated) £000
Expenditure Not Paid in Cash			
Depreciation	11a	21,638	20,257
Amortisation	10	615	123
Depreciation on Donated Assets	11b	678	673
Impairments on property, plant and equipment charged to SOCNE	11a	6,367	7,239
Funding Of Donated assets	9	(169)	(322)
Loss on disposal of property, plant and equipment	9	397	28
Other non cash costs		587	737
Total Expenditure Not Paid in Cash		30,113	28,735
Interest Payable			
Other Finance lease charges allocated in the year		715	742
Statutory Audit			
External auditor's remuneration and expenses		299	305

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

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2012 £000	2011 (Restated) £000
BY PROVIDER		
Treatment in Board area of NHS Scotland Patients	655,490	637,060
Other NHS Scotland Bodies	11,469	12,008
Health Bodies outside Scotland	1,366	1,311
Primary Care Bodies	47	46
Private Sector	2,509	1,356
Community Care		
Resource Transfer	31,500	31,580
Contributions to Voluntary Bodies and Charities	4,135	4,854
Total NHSScotland Patients	706,516	688,215
Treatment of UK residents based outside Scotland	1,222	1,188
Total Hospital & Community Health Service	707,738	689,403

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget Non Discretionary		Total 2012	Total 2011
	£000	£000	£000	£000
Primary Medical Services	81,494	0	81,494	80,483
Pharmaceutical Services	92,506	16,506	109,012	108,310
General Dental Services	94	29,232	29,326	27,431
General Ophthalmic Services	65	9,279	9,344	8,843
Total	174,159	55,017	229,176	225,067

6. ADMINISTRATION COSTS

	Note	2012 £000	2011 £000
Board Members' Remuneration	2(a)	1,123	1,222
Administration of Board Meetings and Committees		198	210
Corporate Governance and Statutory Reporting		596	617
Health Planning, Commissioning and Performance Reporting		1,105	1,102
Treasury Management and Financial Planning		450	459
Public Relations		784	814
Total Administration Costs		4,256	4,424

7. OTHER NON-CLINICAL SERVICES

	2012 £000	2011 £000
Compensation Payments – Clinical *	3,111	1,344
Compensation Payments – Other *	462	135
Pension Enhancement & Redundancy	2,084	1,883
Patients' Travel Attending Hospitals	331	302
Patients' Travel Highlands and Islands scheme	23	24
Health Promotion **	4,008	4,495
Public Health **	2,495	3,221
Public Health Medicine Trainees	138	84
Emergency Planning	137	124
Loss on Disposal of Non Current Assets	397	47
Other	4,585	3,677
Total Other Non-Clinical Services	17,771	15,336

* The increase in clinical and other compensation payments reflects the estimated cost of outstanding claims arising during the year, based on the most recent advice from the Central Legal Office

** The reduction in public health costs compared to the previous year relates mainly to the condition management programme previously funded by the department of work and pensions which ceased in March 2011.

8. OPERATING INCOME	2012	2011
	£000	£000
HCH Income		
NHS Scotland Bodies		
Boards	15,076	14,794
NHS Non-Scottish Bodies	1,221	1,187
Non NHS		
Private Patients	732	955
Compensation Income	1,274	1,751
Total HCH Income	<u>18,303</u>	<u>18,687</u>
FHS Income		
Unified ***	1,240	3,238
Non Discretionary		
General Dental Services	5,762	5,340
Total FHS Income	<u>7,002</u>	<u>8,578</u>
Other Operating Income		
NHS Scotland Bodies	46,762	46,277
Contributions in respect of Clinical/Medical negligence claims *	3,234	1,256
Profit on disposal of non-current assets	0	19
Transfer from Donated Asset Reserve in respect of Depreciation	169	322
Other **	23,285	24,185
Total Other Operating Income	<u>73,450</u>	<u>72,059</u>
Total Income	<u>98,755</u>	<u>99,324</u>
Of the above, the amount derived from NHS bodies is	<u>61,838</u>	<u>61,071</u>

* The increase in 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.

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

*** The reduction in FHS (Family Health Services) income relates to the abolition of pharmacy prescription charges from 1st April 2011.

9. ANALYSIS OF CAPITAL EXPENDITURE	Note	2012 £000	2011 £000
EXPENDITURE			
Acquisition of Intangible Fixed Assets	10	728	732
Acquisition of Property, Plant and Equipment	11	66,273	59,514
Donated Asset Additions	11b	169	322
Investments *		26	0
Gross Capital Expenditure		<u>67,196</u>	<u>60,568</u>
INCOME			
Net book value of disposal of Property, plant and equipment		432	173
Net book value of disposal of Donated Assets		0	79
Value of disposal of Non-Current Assets held for sale	11c	0	320
Donated Asset Income		169	243
Capital Income		<u>601</u>	<u>815</u>
Net Capital Expenditure		<u>66,595</u>	<u>59,753</u>
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		<u>66,595</u>	<u>59,753</u>
Savings/(excess) against Capital Resource Limit		<u>0</u>	<u>0</u>

* Investments relate to a non equity loan, repayable in full after 25 years with interest, made to HUB North of Scotland Ltd as part of the agreed enabling arrangements for the Aberdeen Health and Community Care Village.

10. INTANGIBLE ASSETS	Software Licences	Information Technology-Software	EC Carbon Emissions*	Websites	Total
	£000	£000	£000	£000	£000
Cost or Valuation :					
As at 1 April 2011	54	1,023	907	5	1,989
Additions	331	125	272		728
Revaluation			(701)		(701)
At 31 March 2012	385	1,148	478	5	2,016
Amortisation					
At 1 April 2011	18	153		5	176
Provided during the year	56	559			615
At 31 March 2012	74	712		5	791
Net Book Value at 1 April 2011	36	870	907		1,813
Net Book Value at 31 March 2012	311	436	478		1,225

* NHS Grampian is required by statute to participate in the introductory phase of the European Carbon emission scheme which focuses solely on carbon emissions from the Foresterhill Site. The scheme has now been extended beyond the original three years duration running at least until December 2013. The scheme allocates emission target allowances or units to NHS Grampian and these are recorded as an intangible asset. In addition NHS Grampian have the ability to "forward purchase" additional allowances within the trading scheme. The allowances of £0.272 million added during 2011/12 represent £0.186 million of allowances purchased for use in future years and £0.086 million of free allowances allocated through the scheme. The revaluation adjustment relates to a reduction in the market value of allowances from e16.30 at 31st March 2011 to e6.98 at 31st March 2012.

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

11. (a) PROPERTY, PLANT and EQUIPMENT(Purchased Assets)		Land	Buildings	Dwellings	Transport	Plant &	Information	Furniture	Assets Under	Total
		(including under buildings) £000	(excluding dwellings) £000	£000	Equipment £000	Machinery £000	Technology £000	and Fittings £000	Construction £000	£000
Cost or valuation										
At 1 April 2011	26,620	299,635	6,125	3,065	100,858	23,879	5,323	52,538	518,043	
Additions	3,542	8,038	11	44	3,326	628	87	50,597	66,273	
Completions		15,674			564			(16,238)		
Transfers (to)/from non-current assets held for sale	(245)	(220)							(465)	
Revaluation	348	6,736	146						7,230	
Impairment Charge	(419)	(5,663)	(4)						(6,086)	
Disposals		(448)		(335)	(3,011)	(720)	(1,766)		(6,280)	
At 31 March 2012	29,846	323,752	6,278	2,774	101,737	23,787	3,644	86,897	578,715	
Depreciation										
At 1 April 2011		9,801	198	2,441	55,998	14,707	4,819		87,964	
Provided during the year		10,053	201	155	8,007	3,114	108		21,638	
Revaluation		(2,736)	(71)						(2,807)	
Impairment Charges		(58)							(58)	
Disposals		(45)		(335)	(2,985)	(717)	(1,766)		(5,848)	
At 31 March 2012		17,015	328	2,261	61,020	17,104	3,161		100,889	
Net Book Value at 1 April 2011	26,620	289,834	5,927	624	44,860	9,172	504	52,538	430,079	
Net Book Value at 31 March 2012	29,846	306,737	5,950	513	40,717	6,683	483	86,897	477,826	
Open Market Value of Land in Land and Dwellings Included Above	5,550									
Asset financing:										
Owned	29,846	300,965	5,950	513	40,717	6,683	483	86,897	472,054	
Finance leased		5,772							5,772	
Net Book Value at 31 March 2012	29,846	306,737	5,950	513	40,717	6,683	483	86,897	477,826	

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR										
	Land (including buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Assets Under Construction £000	Total £000	
Cost or valuation										
At 1 April 2010	27,179	275,622	5,984	3,153	94,382	25,952	5,633	27,788	485,693	
Additions	152	16,834		73	7,591	2,081	35	32,748	59,514	
Completions		7,820			178			(7,998)		
Transfers (to)/from non- current assets held for sale	(165)	(92)							(257)	
Revaluation	(182)	6,446	141						6,405	
Impairment Charge	(244)	(6,995)							(7,239)	
Disposals	(120)			(161)	(1,293)	(4,154)	(345)		(6,073)	
At 31 March 2011	26,620	299,635	6,125	3,065	100,858	23,879	5,323	52,538	518,043	
Depreciation										
At 1 April 2010		701		2,439	49,603	16,074	5,059		73,876	
Provided during the year		9,371	196	161	7,638	2,787	104		20,257	
Revaluation		(271)	2						(269)	
Disposals				(159)	(1,243)	(4,154)	(344)		(5,900)	
At 31 March 2011		9,801	198	2,441	55,998	14,707	4,819		87,964	
Net Book Value at 1 April 2010	27,179	274,921	5,984	714	44,779	9,878	574	27,788	391,817	
Net Book Value at 31 March 2011	26,620	289,834	5,927	624	44,860	9,172	504	52,538	430,079	
Open Market Value of Land in Land and Dwellings Included Above	3,900									
Asset financing:										
Owned	26,620	283,280	5,927	624	44,860	9,172	504	52,538	423,525	
Finance leased		6,554							6,554	
Net Book Value at 31 March 2011	26,620	289,834	5,927	624	44,860	9,172	504	52,538	430,079	

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

Cost or valuation	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
At 1 April 2011	12,058	171	4,289	78	30	16,626
Additions		56	101	12		169
Revaluation	304					304
Impairment Charge	(352)					(352)
Disposals		(35)	(73)		(3)	(111)
At 31 March 2012	12,010	192	4,317	90	27	16,636
Depreciation						
At 1 April 2011	347	129	3,070	72	25	3,643
Provided during the year	372	9	292	3	2	678
Revaluation	(146)					(146)
Impairment Charges	(13)					(13)
Disposals		(35)	(73)		(3)	(111)
At 31 March 2012	560	103	3,289	75	24	4,051
Net Book Value at 1 April 2011	11,711	42	1,219	6	5	12,983
Net Book Value at 31 March 2012	11,450	89	1,028	15	3	12,585
Asset financing:						
Owned	11,450	89	1,028	15	3	12,585
Net Book Value at 31 March 2011	11,450	89	1,028	15	3	12,585

11. (b) Property, Plant and Equipment – Prior Year
Land (land
holdings and land
underlying
buildings)
£000

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

11.(c) ASSETS HELD FOR SALE

The following assets relating to Balgownie Day Care Centre, Clinic accommodation in Golden Square, Aberdeen and Campbell Hospital, Portsoy have been presented as held for sale following the approval for sale by the Grampian NHS Board. The expected completion date of sale is June 2012 for Balgownie Day Care Centre and Golden Square. The sale of Campbell Hospital was originally planned for May 2012, but a late withdrawal of the offer to purchase by the preferred bidder requires the hospital to be marketed again with December 2013 the revised anticipated date of sale.

	Note	Property, Plant & Equipment £000
At 1 April 2011		257
Transfer (to)/from property, plant and equipment	11a	465
Transfer (to)/from intangible assets	10	
Gain or Losses recognised on remeasurement of non-current assets held for sale		28
Disposals for non-current assets held for sale		
As at 31 March 2012		750
At 1 April 2010		320
Transfer (to)/from property, plant and equipment	11a	257
Transfer (to)/from intangible assets	10	
Gain or Losses recognised on remeasurement of non-current assets held for sale		
Disposals for non-current assets held for sale		(320)
As at 31 March 2011		257

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES	Note	2012 £000	2011 £000
Net book value of tangible fixed assets at 31 March			
Purchased	11a	477,826	430,079
Donated	11b	<u>12,585</u>	<u>12,983</u>
Total		<u>490,411</u>	<u>443,062</u>

Tangible Fixed assets include land and buildings which have been taken out of operational use and declared surplus as follows :-

Net book value of surplus land valued at open market value at 31 March		5,550	3,900
Net book value of surplus buildings valued at open market value at 31 March		0	0
Tangible Fixed assets include assets held under Finance Leases		5,772	6,554
Total depreciation charged in respect of assets held under Finance Leases		391	391

Land and 20% of Buildings were revalued by the Valuation Office Agency (VOA) as at 31 March 2012 as part of a rolling annual programme on the basis of fair value (market value or depreciated replacement cost where appropriate). Other tangible fixed assets were revalued on the basis of indices at 31 March 2012.

The revaluation of Land and Buildings resulted in a net increase of £4.120million in the carrying value of these assets (2010/11: reduction of £0.29million) of which £10.487 million was credited to the revaluation reserve (2010/11 £6.949 million) and £6.367 million charged to the Statement of Comprehensive Net Expenditure (2010/11 £7.239 million).

12. INVENTORIES	2012 £000	Restated 2011 £000	Restated 2010 £000
Raw Materials and Consumables	4,485	3,580	3,689

13. TRADE AND OTHER RECEIVABLES

	2012 £000	Restated 2011 £000	Restated 2010 £000
Receivables due within one year:			
NHS Scotland Boards	3,774	7,089	5,126
NHS Non-Scottish Bodies	673	604	600
VAT recoverable	980	1,084	981
Prepayments	5,719	3,501	3,091
Accrued income	2,562	2,546	2,301
Other Receivables	10,900	11,609	12,801
Reimbursement of Provisions	1,681	1,323	1,872
Other Public Sector Bodies	4,748	3,723	1,754
Total Receivables due within one year	31,037	31,479	28,526
Receivables due after more than one year			
NHS Scotland			
Prepayments	177	188	96
Accrued Income	1,683	2,065	1,763
Reimbursement of Provisions	6,724	5,293	4,828
Total receivables due after more than one year	8,584	7,546	6,687
TOTAL RECEIVABLES	39,621	39,025	35,213
The total receivables figure above includes a provision for bad debt of :	247	126	130
WGA Classification			
NHS Scotland	3,774	7,089	5,126
Central Government Bodies	1,105	1,431	1,107
Whole of Government Bodies	4,623	3,376	2,225
Balances with NHS Bodies in England and Wales	673	604	600
Balances with bodies external to Government	29,446	26,525	26,155
Total	39,621	39,025	35,213

Movements on the provision for impairment of debtors are as follows:

	2012 £000	2011 £000
As at 1 April	126	130
Provision for debtors impairment	206	5
Receivables written off during the year as uncollectible	(85)	(9)
As at 31 March 2012	247	126

As of 31 March 2012, receivables with a carrying value of £0.247million (£0.126 million 2010/11) were impaired and provided for. The amount of the provision was £0.247million (£0.126 million 2010/11). The ageing of these receivables is as follows:

	2012	2011
	£000	£000
Over 6 months past due	<u>247</u>	<u>126</u>

The receivables assessed as individually impaired were mainly individuals (including overseas visitors) and companies which are in unexpected difficult economic situations and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than six months past their due date are not considered impaired. As at 31 March 2012, receivables of carrying value of £2.467million (£1.396 million 2010/11) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2012	2011
	£000	£000
Up to 3 months past due	1,522	479
3 to 6 months past due	646	322
Over 6 months past due	<u>299</u>	<u>595</u>
	<u>2,467</u>	<u>1,396</u>

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

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

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

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

	2012	2011
	£000	£000
Existing customers with no defaults in the past	<u>2,467</u>	<u>1,396</u>

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.

	2012	2011
	£000	£000
The carrying amount of receivables are denominated Pounds Sterling	39,621	39,025

All non-current receivables are due within 2 years from the balance sheet date.

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

The fair value of long term other receivables is £8,548 million (£7.546 million 2010/11).

14. FINANCIAL ASSETS

	2012 £000	2011 £000
Government securities		
Other	28	1
TOTAL	<u>28</u>	<u>1</u>
At 1 April	1	1
Additions	27	
At 31 March	<u>28</u>	<u>1</u>
Current		
Non-current	28	1
At 31 March	<u>28</u>	<u>1</u>

Financial assets comprise an investment of £1k in equity share capital with TMRI Ltd and Hub North of Scotland Ltd both unlisted investments denominated in UK pounds and a non equity loan of £27k made to Hub North of Scotland Ltd which is repayable in full with interest after 25 years.

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

15. CASH AND CASH EQUIVALENTS

	At 01/04/11 £000	Cash Flow £000	At 31/03/12 £000
Government Banking Service account balance	490	1,061	1,551
Cash at bank and in hand	<u>32</u>	<u>(2)</u>	<u>30</u>
Total cash and cash equivalents– balance sheet	522	1,059	1,581
Total cash – cash flow statement	<u>522</u>	<u>1,059</u>	<u>1,581</u>

	At 01/04/10 £000	Cash Flow £000	At 31/03/11 £000
Government Banking Service account balance	3,236	(2,746)	490
Cash at bank and in hand	<u>68</u>	<u>(36)</u>	<u>32</u>
Total cash and cash equivalents – balance sheet	3,304	(2,782)	522
Total cash – cash flow statement	<u>3,304</u>	<u>(2,782)</u>	<u>522</u>

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

16. TRADE AND OTHER PAYABLES	2012	Restated	Restated
Payables due within one year	£000	2011	2010
		£000	£000
NHS Scotland Boards	5,480	8,091	7,697
NHS Non-Scottish Bodies	531	386	402
General Fund Payable	1,581	522	3,304
FHS Practitioners	26,414	27,563	25,298
Trade Creditors	5,132	7,135	26,582
Accruals	19,148	15,892	16,166
Untaken Annual Leave Accrual	2,731	2,713	3,980
Deferred income	1,480	875	1,560
Net obligations under Finance Leases	228	185	180
Income Tax & Social Security	10,180	9,997	10,287
Superannuation	6,187	7,068	5,868
Other Public Sector Bodies	1,033	1,655	1,542
Other Payables	4,027	3,532	3,409
Other Significant Payables: Agenda for Change			627
Total Payables due within one year	84,152	85,614	106,902
Payables due after more than one year	2012	2011	2010
	£000	£000	£000
NHS Scotland			
Net obligations under Finance Leases due within 5 years	1,265	1,008	1,027
Net obligations under Finance Leases due after 5 years	5,412	5,896	6,028
Total Payables due after more than one year	6,677	6,904	7,055
Total Payables	90,829	92,518	113,957
WGA Classification			
NHS Scotland	5,480	8,091	7,697
Central Government Bodies	16,621	17,180	16,200
Whole of Government Bodies	782	1,439	1,899
Balances with NHS Bodies in England and Wales	531	386	402
Balances with bodies external to Government	67,415	65,422	87,759
Total	90,829	92,518	113,957

	2012	2011
	£000	£000
Borrowings included above comprise Finance Leases :	6,905	7,089

The carrying amount and fair value of the non-current borrowings : Finance Leases	6,677	6,904
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The carrying amount of payables are denominated in Pounds Sterling	90,829	92,518
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The carrying amount of short term payables approximates their fair value.

17. PROVISIONS

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
As at 1 April 2011	4,009	7,148	779	11,936
Arising during the year	1,796	2,827		4,623
Utilised during the year	(432)	(1,045)		(1,477)
Reversed Unutilised	(33)	(492)	(376)	(901)
As at 31 March 2012	5,340	8,438	403	14,181

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
Current	417	5,224	403	6,044
Non-Current	4,923	3,214		8,137
At 31 March 2012	5,340	8,438	403	14,181

PRIOR YEAR

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

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows

	Pensions and similar obligations	Clinical & Medical	EC Carbon Emissions	Total
	£000	£000	£000	£000
Current	421	1,430	779	2,630
Non-Current	3,588	5,718		9,306
At 31 March 2011	4,009	7,148	779	11,936
Current	1,416	1,389	399	3,204
Non-Current	4,482	5,554		10,036
At 31 March 2010	5,898	6,943	399	13,240

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% 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.

Clinical and Medical

The Board holds a provision to meet costs of all 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 settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

EC Carbon Emissions

NHS Grampian is required by statute to participate in the introductory phase of the European Carbon Emission Scheme which focuses solely on carbon emissions from the Foresterhill Site. The scheme has now been extended beyond the original three years duration running at least until December 2012. The scheme allocates emission target allowances or units to NHS Grampian and these are recorded as an intangible asset. The provision of £0.403m represents the monetary cost of the independently audited emissions in the period ended 31 March 2012. At the end of the scheme the value of the allocated units will be offset against the cost of the emissions. Any gain or loss arising from the scheme will be dependent on the boards actual performance against the emission target.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Note	Opening Balances £000	Closing Balances £000	Net Movement 2012 £000	Net Movement 2011 £000
INVENTORIES					
Balance Sheet	12	3,580	4,485		107
Net (Increase)/Decrease				(905)	107
TRADE AND OTHER RECEIVABLES					
Due within one year	13	31,479	31,037		(2,953)
Due after more than one year	13	7,546	8,584		(859)
		39,025	39,621		
Net (Increase)/Decrease				(596)	(3,812)
TRADE AND OTHER PAYABLES					
Due within one year	16	85,614	84,152		(21,317)
Due after more than one year	16	6,904	6,677		(151)
Less: Property, Plant & Equipment (Capital) included in above		(1,775)	(1,124)		1,025
Less: General Fund Creditor included in above	16	(522)	(1,581)		2,782
Less: Lease and PFI Creditors included in above	16	(7,089)	(6,905)		146
		83,132	81,219		
Net (Decrease)/Increase				(1,913)	(17,515)
PROVISIONS					
Balance Sheet	17	11,936	14,181		(1,304)
Net Increase/(Decrease)				2,245	(1,304)
NET MOVEMENT (Decrease)/Increase				(1,169)	(22,524)

19. CONTINGENT LIABILITIES

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

Nature	2012	2011
	£000	£000
Clinical and medical compensation payments	1,128	984
Employer's liability	9	54
TOTAL CONTINGENT LIABILITIES	<u>1,137</u>	<u>1,038</u>
CONTINGENT ASSETS		
Clinical and medical compensation payments	775	650
Employer's liability	4	0
	<u>779</u>	<u>650</u>

Clinical, Medical and employers liability compensation claims

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, and for which the Central Legal Office of the Scottish Government Health Directorate estimates that there is a medium risk of NHS Grampian having to make settlement.

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

Equal Pay Claims

NHS Grampian has 134 claims outstanding under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

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

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

20. CONTRACTUAL COMMITMENTS

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

Capital Commitments	2012	2011
	£000	£000
Contracted		
Emergency Care Centre	28,788	62,465
Energy Centre, Foresterhill, Aberdeen		1,710
Chalmers Hospital, Banff		2,593
South Block Woodend		373
Aberdeen Health Village – capital grant to Aberdeen City Council	2,195	5,853
Radiotherapy Equipment programme	7,772	6,142
Dr Grays Hospital	2,255	
Moray Life Sciences Centre – capital grant to Moray College	300	
Total	41,310	79,136
Authorised but not contracted		
Woodside Medical Centre land purchase	300	328
Fraserburgh Dental Centre	1,277	
Total	1,577	328

In addition to the above capital commitments, NHS Grampian has recently completed financial close on the project agreement with HUB North of Scotland Ltd for delivery of the Aberdeen Health and Community Care Village. Under the terms of this agreement NHS Grampian have a legal commitment to occupy the building on completion, estimated at November 2014, for a period of 25 years. NHS Grampian will incur charges to occupy and for maintenance of the building estimated at £1.8million per annum from the actual date of occupation.

Two additional projects, Forres Health Centre and Woodside Medical Centre are being progressed using the same contractual mechanism as the Aberdeen Health Village project i.e. as service concession arrangements using the Scottish Government's HUB initiative. Although no formal contractual commitment exist at the balance sheet dates the projects are well advanced and full business case approval to proceed will be requested during 2012/13.

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.

21. COMMITMENTS UNDER LEASES

	2012 £000	2011 £000
Operating Leases		
Total future minimum lease payments under operating leases are given in the table below for each of the following period		
Obligations under operating leases comprise:		
Land		
Not later than one year	227	216
Later than one year, not later than five years	909	866
Later than five years	2,738	2,815
Buildings		
Not later than one year	1,198	365
Later than one year, not later than five years	5,871	1,489
Later than five years	14,362	2,440
Other		
Not later than one year	506	689
Later than one year, not later than five years	892	885
Later than five years		
Amounts charged to Operating Costs in the year were:		
Hire of Equipment (including vehicles)	1,805	1,797
Other operating leases	798	790
Total	<u>2,603</u>	<u>2,587</u>
Finance Leases		
Total future minimum lease payments under finance leases are given in the table below for each of the following periods		
Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	908	896
Rentals due between two and five years (inclusive)	3,684	3,647
Rentals due after five years	11,547	12,432
	<u>16,139</u>	<u>16,975</u>
Less interest element	(9,234)	(9,886)
	<u>6,905</u>	<u>7,089</u>
This total net obligation under finance leases is analysed in Note 16 (Payables)		

22. PENSION COSTS

NHS Grampian participates in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary: details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19.

For 2011/12, normal employer contributions of £45.331million were payable to the SPPA (2010/11 £45.723million) at the rate of 13.5% (2010/11 13.5%) of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £0.509million (2010/11 £1.079million) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be met by future contributions from employing authorities.

Provisions amounting to £5.340 million (2010/11 £4.009 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. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefit of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5% and 8.5% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

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

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

New 2008 arrangements:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions and allowances are index linked to protect their value.

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

	2012-11 £000	2010-11 £000
Pension cost charge for the year	45,331	45,723
Additional Costs arising from early retirement	509	1,079
Provisions/Liabilities/Pre-payments included in the Balance Sheet	5,340	4,009

23. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

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

	Dr. £000	Cr. £000
Adjustment 1 Remove Donated asset reserve – accounting policy change		
Donated asset reserve	12,983	
General Fund		(12,708)
Revaluation reserve		(275)
Adjustment 2 Remove Government Grant reserve – accounting policy change		
Government Grant reserve	114	
General Fund	83	
Revaluation reserve		(197)
Adjustment 3 Reflect change in accounting Policy for Donated assets		
Dr Operating Income (Reverse Depreciation charge for Donated assets)	673	
Cr Operating Costs (Reverse Depreciation charge for Donated assets)		(673)
Dr Operating Costs (Cost of Donated asset additions)	322	
Cr Operating income (cost of Donated asset additions)		(322)
Dr Cash flow NBV Donated disposals	79	
Cr Cash Flow Non cash adjustments		(79)
Adjustment 4 Incorporate Scottish Prison Health Service		
Dr General Fund	71	
Dr Inventories	14	
Dr Receivables	8	
Cr Payables		(93)
Dr SOCNE	1,341	
Cr SOCNE RRL (adjusted as non cash through SOCTE)		(1,341)
Adjustment 5 Amortisation of revaluation reserve – change in accounting policy		
Dr Revaluation reserve	2,249	
Cr General Fund		(2,249)

FOR THE YEAR ENDED 31 MARCH 2012

24. RESTATED SOCNE

	Previous Accounts £'000	Adjustment 3 £'000	Adjustment 4 £'000	These Accounts £'000
Clinical Services Costs				
Hospital and Community	688,413	(351)	1,341	689,403
Less: Hospital and Community income	<u>18,687</u>			<u>18,687</u>
	669,726	(351)	1,341	670,716
Family Health Services	225,067			225,067
Less: Family Health Services income	<u>8,578</u>			<u>8,578</u>
	216,489	0	0	216,489
Total Clinical Services Costs	886,215	(351)	1,341	887,205
Administration Costs	<u>4,424</u>			<u>4,424</u>
	4,424	0	0	4,424
Other Non Clinical Services	15,324			15,324
Less: Other Operating Income	<u>72,398</u>	<u>(351)</u>		<u>72,047</u>
	(57,074)	351	0	(56,723)
Net Operating Costs	<u>833,565</u>	<u>0</u>	<u>1,341</u>	<u>834,906</u>

FOR THE YEAR ENDED 31 MARCH 2012

25. RESTATED BALANCE SHEET

	Previous Accounts £000	Adjustment 1 £000	Adjustment 2 £000	Adjustment 4 £000	Adjustment 5 £000	These Accounts £000
Non-current assets						
Property, plant and equipment	443,062					443,062
Intangible assets	1,813					1,813
Financial assets: Available for sale financial assets	1					1
Trade and other receivables	7,546					7,546
	452,422					452,422
CURRENT ASSETS						
Inventories	3,566			14		3,580
Financial assets: Trade and other receivables	31,471			8		31,479
Cash and cash equivalents	522					522
Assets classified as held for sale	257					257
	<u>35,816</u>			<u>22</u>		<u>35,838</u>
TOTAL ASSETS	488,238			22		488,260
CURRENT LIABILITIES						
Provisions	(2,630)					(2,630)
Financial liabilities: Trade and other payables	(85,521)			(93)		(85,614)
	<u>(88,151)</u>			<u>(93)</u>		<u>(88,244)</u>
TOTAL CURRENT LIABILITIES						
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	400,087			(71)		400,016
Non-current liabilities						
Provisions	(9,306)					(9,306)
Financial Liabilities: Trade and other payables	(6,904)					(6,904)
	<u>(16,210)</u>					<u>(16,210)</u>
Total non-current liabilities	383,877			(71)		383,806
Assets less liabilities TAXPAYERS' EQUITY						
General Fund	299,593	12,708	(83)	(71)	2,249	314,396
Revaluation Reserve	71,187	275	197		(2,249)	69,410
Donated Asset Reserve	12,983	(12,983)				
Government Grant Reserve	114		(114)			
	<u>383,877</u>			<u>(71)</u>		<u>383,806</u>

FOR THE YEAR ENDED 31 MARCH 2012

26. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 3 £'000	Adjustment 4 £000	These Accounts £'000
Cash Flows from operating activities				
Net Operating cost	(833,565)		(1,341)	(834,906)
Adjustments for non-cash transactions	27,473	(79)	1,341	28,735
Add back: interest payable recognised in net operating cost	742			742
(Increase) in trade and other receivables	(3,812)			(3,812)
Decrease in inventories	107			107
(Decrease) in trade and other payables	(17,515)			(17,515)
(Decrease) in provisions	(1,304)			(1,304)
Net cash outflow from operating activities	(827,874)	(79)		(827,953)
Cash flows from investing activities				
Purchase of property, plant and equipment	(60,539)			(60,539)
Purchase of intangible assets	(732)			(732)
Proceeds of disposal of property, plant and equipment	465	79		544
Net cash outflow from investing activities	(60,806)	79		(60,727)
Cash flows from financing activities				
Funding	889,568			889,568
Movement in general fund working capital	(2,782)			(2,782)
Cash drawn down	886,786			886,786
Balance sheet PFI contracts	(146)			(146)
Interest Paid	(742)			(742)
Net Financing	885,898			885,898
Net (Decrease)/Increase in cash and cash equivalents in period	(2,782)			(2,782)
Cash and cash equivalents at the beginning of the period	3,304			3,304
Cash and cash equivalents at the end of the period	522			522
Reconciliation of net cash flow to movement in net cash				
(Decrease) in cash in year	(2,782)			(2,782)
Net cash at 1 April	3,304			3,304
Net cash at 31 March	522			522

27. FINANCIAL INSTRUMENTS

a) FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets	Loans and Receivables	Assets at Fair Value through profit and loss	Available for Sale	Total
	£000	£000	£000	£000
AT 31 MARCH 2012				
Assets per balance sheet				
Investments			28	28
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	20,566			20,566
Cash and cash equivalents	1,581			1,581
	<u>22,147</u>		<u>28</u>	<u>22,175</u>
At 31 March 2011				
Investments			1	1
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	20,547			20,547
Cash and cash equivalents	522			522
	<u>21,069</u>		<u>1</u>	<u>21,070</u>
Financial Liabilities				
At 31 March 2012				
		Liabilities at Fair Value through profit and loss	Other financial liabilities	Total
		£000	£000	£000
Liabilities per balance sheet				
Finance lease liabilities			6,905	6,905
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation			60,597	60,597
			<u>67,502</u>	<u>67,502</u>
At 31 March 2011				
		Liabilities at Fair Value through profit and loss	Other financial liabilities	Total
Liabilities per balance sheet				
Finance lease liabilities			7,089	7,089
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation			59,398	59,398
			<u>66,487</u>	<u>66,487</u>

27. FINANCIAL INSTRUMENTS, cont,
b) FINANCIAL RISK FACTORS
Exposure to Risk

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

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

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

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

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

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

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

	Less than 1 Year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2012				
Finance lease liabilities	908		3,684	11,547
Trade and other payables excluding statutory liabilities	60,597			
Total	61,505		3,684	11,547
At 31 March 2011				
Finance lease liabilities	896		3,647	12,432
Trade and other payables excluding statutory liabilities	59,398			
Total	60,294		3,647	12,432

c) Market Risk

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

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

iii) Price Risk

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

d) FAIR VALUE ESTIMATION

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

28. RELATED PARTY TRANSACTIONS

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 2012 was £34.90 million (2010/2011 £33.369 million). During the year payments totalling £1.568 million (2010/2011 £2.21 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities for the benefit of patients and staff. The NHS Grampian Endowment fund received £0.240million (2010/2011 £0.37million) from NHS Grampian mainly from income for research activities.

During the year NHS Grampian made payments of £0.610 million (2010/2011 £0.658million) to the Alford Medical Group, in which Dr John Reid, a Non-Executive Board member from 1 September 2008 to 30 April 2011, is a partner. These payments were in respect of services provided by the Alford Medical Group to NHS Grampian, as part of their General Medical Services contract. A balance of £0.038million (2010/2011 £0.038million) was owed by NHS Grampian to the Alford Medical Group at 31 March 2012.

Sir Lewis Ritchie, Director of Public Health and an Executive Board member of NHS Grampian from 1 February 2012 also works clinically as a part time General Medical Practitioner partner within the Peterhead Medical Group. During the year NHS Grampian made payments of £2.120 million to the Peterhead Medical Group for services provided to NHS Grampian, as part of their General Medical Services contract. A balance of £0.148 million was owed by NHS Grampian to the Peterhead Medical Group at 31 March 2012. On appointment as Director of Public Health Sir Lewis gave notice of his intention to resign from the Peterhead practice, effective September 2012 following the required notice period.

29. SEGMENT INFORMATION

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

	Aberdeen City CHP	Abdnshire CHP	Moray CHP	Acute Sector	Corporate & Others	Mental Health and Learning disabilities	2012
	£000	£000	£000	£000	£000	£000	£000
Net operating cost	<u>66,930</u>	<u>57,793</u>	<u>20,431</u>	<u>319,197</u>	<u>342,285</u>	<u>53,550</u>	<u>860,186</u>

PRIOR YEAR

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

	Aberdeen City CHP	Abdnshire CHP	Moray CHP	Acute Sector	Corporate & Others	Mental Health and Learning disabilities	2011
	£000	£000	£000	£000	£000	£000	£000
Net operating cost	<u>85,232</u>	<u>57,513</u>	<u>48,155</u>	<u>263,008</u>	<u>326,688</u>	<u>54,310</u>	<u>834,906</u>

30. THIRD PARTY ASSETS

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

	2011	2012
	£000	£000
Monetary amounts including bank balances	502	498
	296	(299)
	Gross Inflows	Gross Outflows
	£000	£000

31. EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of departures by cost band
Less than £10,000		6	6
£10,000 - £25,000		4	4
£25,000 - £50,000		5	5
£50,000 - £100,000		6	6
£100,000 - £150,000		8	8
£150,000 - £200,000		1	1
More than £200,000		1	1
Total number exit packages by type	31		31
Total resource cost (£000)	2,078		2,078

EXIT PACKAGES – PRIOR YEAR

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



Grampian Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006