

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

**ACCOUNTS 2009-2010**

**The Accountable Officer authorised these financial statements for issue on 25 June 2010**

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# **GRAMPIAN HEALTH BOARD ANNUAL ACCOUNTS**

## **DIRECTORS' REPORT**

### **Naming Convention**

NHS Grampian is the common name of Grampian Health Board.

### **Date of Issue**

The Accountable officer authorised these financial statements for issue on 25 June 2010.

### **International Financial Reporting Standards**

These financial statements have been prepared, for the first time, under International Financial Reporting Standards (IFRS) as adopted by the European Union and as interpreted or adapted for the public sector context as set out in Note 1 Accounting Policies. Financial Statements were previously prepared under UK Generally Accepted Accounting Principles (UK GAAP). The effect of the transition from UK GAAP to IFRS, with an effective date of 1 April 2008, is set out in Note 23 First Time Adoption of IFRS and Note 24 Restated Balance Sheet.

### **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 79 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 2007/08 to 2010/11, the Auditor General appointed David McConnell, Assistant Director (Health) Audit Scotland, 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.

### **Board Membership**

Grampian NHS Board is a board of governance whose membership reflects the role and function of NHS Grampian, as detailed within the Operating and Financial Review on page 7.

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.

Grampian NHS Board has collective responsibility for the performance of NHS Grampian as a whole, and reflects the partnership approach, which is essential to improving health and healthcare.

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

### **Non-Executive Members**

Mr David Anderson  
Councillor Lee Bell  
Mr Raymond Bisset  
Dr David Cameron (Chair)  
Councillor Katharine Dean  
Professor Neva Haites  
Councillor Bill Howatson  
Mrs Elizabeth McDade  
Mr Terry Mackie  
Professor Valerie Maehle  
Mr Charles Muir  
Dr John Reid  
Mr Michael Scott  
Mr Gordon Stephen

### **Executive Members**

Mr Richard Carey	Chief Executive
Dr Roelf Dijkhuizen	Medical Director
Mr Alan Gall	Director of Finance and Deputy Chief Executive
Mr Mark Sinclair	Director of Human Resources and Strategic Change
Mrs Elinor Smith	Nurse Director
Dr Lesley Wilkie	Director of Public Health

The Board members' responsibilities in relation to the accounts are set out in a statement on page 21.

### **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 26.

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. During the year, no Board Member had to exempt themselves from any decision because of such a relationship.

### **Pension Liabilities**

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

### **Remuneration for Non Audit Work**

PricewaterhouseCoopers who provide an Internal Audit Service to NHS Grampian were paid £17,750 before VAT for non-audit work.

### **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 2009/10, the average credit taken was 22 days (2008/09: 24 days).

In 2009/10, 77% of invoices by value (2008/09 68%) and 76% of invoices by volume (2008/09 61%) were paid within 30 days.

In 2009/10, 37% of invoices by value (2008/09 24%) and 25% of invoices by volume (2008/09 7%) were paid within 10 days.

### **Corporate Governance**

Grampian NHS Board meets regularly throughout the year to progress the business of NHS Grampian. The Board has adopted a schedule of matters reserved for its decision and is supported by the work of committees reporting to the Board.

The main functions of the committees, which under SGHD guidance must exist at unified NHS Board level, together with membership during 2009/10, 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 approximately four times a year. Its main duties include:

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

**Membership:** Councillor Bill Howatson (Chair), Mr David Anderson, Mr Terry Mackie, Mr Charles Muir and Mr Gordon Stephen.

#### ***Staff Governance Committee***

The committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level. The Committee also oversees the implementation of the five staff governance standards and plans to achieve exemplar employer status in NHS Grampian. The five standards entitle staff to be: well informed; appropriately trained; involved in decisions that affect them; treated fairly and consistently; and provided with an improved and safe working environment. The Committee meets four times per year.

**Membership:** Mr Michael Scott (Chair), Mr David Anderson, Dr David Cameron, Councillor Katharine Dean, Mr Gordon Stephen, Dr John Reid with Executive Director and staff side representation.

## **Ethics Committees**

### *North of Scotland Research Ethics Service Committees*

The North of Scotland Research Ethics Service Committees serves the North of Scotland, encompassing Grampian, Highland and Islands, Orkney and Shetland. There are two committees which provide independent advice to participants, researchers, funders, sponsors, employers, care organisations and professionals on the extent to which proposals for research studies comply with recognised ethical standards. The purpose of a Research Ethics Committee in reviewing proposed studies is to protect the dignity, rights, safety and well being of all actual or potential research participants. Each Committee meets approximately once a month, allowing a total of two meetings to be held on a monthly basis.

Each of the two committees comprises lay members, general practitioners, nurses, other clinicians, pharmacists and research scientists. Dr Angus Thomson, Consultant Radiologist, chairs Committee 1 and Dr Sheila Simpson, Associate Specialist and Senior Lecturer in Clinical Genetics, chairs Committee 2.

### **Patient Focus and Public Involvement Committee**

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

**Membership:** Mrs Elizabeth McDade (Chair), Mr Raymond Bisset, Councillor Bill Howatson, Mr Charles Muir, Dr John Reid, Mr Gordon Stephen with Executive Director and extensive staff, clinical, management and public representation.

### **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.

### **Other Committees**

The following committees, while not mandatory under SGHD guidance, also report directly to the Grampian NHS Board and are essential in supporting the Board to meet its objectives:-

#### **Clinical Ethics Committee**

Chairperson: Dr Ruth Stephenson, Consultant Anaesthetist.

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

#### **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 2010 valued at £32.1 million (31 March 2009 valued at £25.4 million).

### ***Performance Governance Committee***

Chairperson: Dr David Cameron

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 leads the development of service strategy for NHS Grampian and oversees ongoing system and service redesign.

### ***Spiritual Care Committee***

Chairperson: Dr David Cameron

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 25.

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

**25 June 2010**



## **DIRECTORS' REPORT**

### **OPERATING AND FINANCIAL REVIEW**

#### **Principal Activities and Review of the Year**

Grampian Health Board was established in 1974 under the National Health Services (Scotland) Act 1974. Commonly known as NHS Grampian, it is responsible for commissioning services for the residents of Grampian, a total population of over half a million people.

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.

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 overall purpose of NHS Grampian 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 role of NHS Grampian is to:

- improve and protect the health of the 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.

The functions of NHS Grampian comprise:

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

2009/10 proved to be once again a productive year for NHS Grampian, where the focus has remained on building on achievements from previous years with the emphasis on striving to deliver quality, modern and sustainable services, which continue to improve the health of those people who live in Grampian, as well as people who access these services from other areas.

NHS Grampian has continued to develop and deliver its six key service improvement programmes, which incorporate the three national programmes and three local programmes. All of them support NHS Grampian's five strategic themes which focus on the concept of improving health and improving the patient experience through the delivery of the right care, at the right time and in the right place.

Within the Acute Sector (Aberdeen Royal Infirmary, Woodend Hospital and Dr Gray's Hospital), the key focus has continued to be on improving patient safety and access to services, both of which are supported by the Health Campus Programme. A key development has been the agreement to develop and open an Emergency Care Centre on the Foresterhill site in 2012.

A significant amount of work has continued on whole system changes to support the redesign of pathways of care for patients who access unscheduled and elective services, which ensures care continues to be efficient, effective and sustainable. In relation to elective patients, the focus has remained on ensuring that sustainable capacity is in place to ensure safe, effective and timely pathways of care. The three Community Health Partnerships (CHPs) have continued to work in partnership with the Acute Sector, to support the redesign and delivery of both unscheduled and elective pathways of care to ensure the right care is delivered at the right time and in the most appropriate place.

Aberdeenshire CHP continues to shift the balance of care through the development of diagnostic and treatment services. This has led to an increase in diagnostic capacity through the provision of services at practice level, for example, ultrasound. A key focus has been the delivery of appropriate specialist care locally for older people and people with long term conditions, such as chronic obstructive pulmonary disease and diabetes. The redevelopment of Chalmers Community Hospital in Banff is underway with the Banff Health Centre opening in March 2010.

Aberdeen City CHP has continued to focus on the development of CHP led intermediate care facilities on the Woodend site and within Aberdeen City with appropriate bed and service moves being undertaken between Aberdeen Royal Infirmary, Woodend Hospital and the community (for example, the creation of Rosewell House, Craig Court and supported discharge services). The 'Aberdeen City Primary Care Redesign Programme' is overseeing the redesign of community services, to make sure that services are sustainable and meet the future needs of people living in Aberdeen.

Moray CHP has focused on the continued development and delivery of intermediate care, supporting the concept of delivering specialist care locally for older people and people with long term conditions. Spynie Dental Centre also opened as planned, in 2009/10.

Joint working with partner organisations continues to be key, an example being the joint development between NHS Grampian and Aberdeen University in relation to the Aberdeen Dental School which opened in November 2009. This will train 20 dentists a year which will improve workforce retention and therefore continue to improve dental and oral health across Grampian.

NHS Grampian continues to involve patients, carers, the public, staff and partners in the planning and development of services across NHS Grampian. In 2009, the most comprehensive consultation process took place regarding NHS Grampian's priorities for the period 2010 to 2013. Based on this consultation, the 'NHS Grampian Health Plan for 2010-2013' was agreed in early April 2010.

NHS Grampian remained in financial balance in 2009/10 and further information on its financial performance is included in the section on Financial Performance and Position on page 9. Performance against other key targets in 2009/10 was measured using key performance indicators set by the Scottish Government Health Directorate to hold Boards to account. Information on NHS Grampian's performance in relation to these indicators is detailed in the section on Performance against Key Non Financial Targets on page 10.

### **Counter Fraud Services**

In 2009, 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 NHS Grampian indicates that the level of income that could have been generated from prescription, dental and ophthalmic charges in the year to 31 December 2009 could amount potentially to £1.3 million (2008: £2.8 million).

### **Fixed Assets**

NHS Grampian invested £56.2 million during the year on capital programmes. The major areas of spend included £8.1 million on medical equipment, £18.8 million on Acute Specialist Services, £6.5m on Intermediate Care including Community Hospitals, £7.1 million on Primary Care Modernisation, £4.8 million on Dental Modernisation, £2.8 million on eHealth Capital Projects, £6.4 million on other Infrastructure Investment and £1.7million in capital grants to other organisations where the investment was judged to have a significant overall benefit to the health and wellbeing of people in Grampian.

To comply with the introduction of International Financial Reporting Standards, NHS Grampian carried out a formal revaluation of all Land and Buildings as at 31 March 2010 which resulted in a net decrease in the carrying value of these assets by £28.1million. This reduction in values was deemed to be mainly temporary in nature as a consequence of the recent downward trend in the property market and the revaluation reserve has been increased by £26.2m to compensate. The balance of £1.9 million represents a permanent diminution in value and has been written off to the Operating Cost Statement with the Scottish Government Health Directorate providing additional non recurring funding to compensate.

## Financial Performance and Position

The Scottish Government Health Directorate continues 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:

	<b>Limit as set by SGHD £000</b>	<b>Actual Out-turn £000</b>	<b>Variance (Over)/Under £000</b>
Revenue Resource Limit	784,030	783,989	41
Capital Resource Limit	55,793	55,793	-
Cash Requirement	849,000	848,770	230

## Memorandum for In Year Out-turn

	<b>£000</b>
Brought forward surplus from previous financial year	<u>(6,486)</u>
Out Turn against in year Revenue Resource Limit	<u>6,445</u>
<b>Net Saving against Revenue Resource Limit</b>	<b>(41)</b>

An in-year deficit of £6.445 million was recorded for the year against a target of £6.486 million, resulting in a small over-achievement against target.

Total efficiency savings of £26.3 million were achieved against a requirement of £26.3 million. Recurring savings amounted to £24.4 million and non-recurring £1.9 million.

## **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 Directorate 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 in 2010 is scheduled to take place on 8 November.

The following gives some information on Grampian's performance against key Local Delivery Plan (HEAT) targets as well as local targets in 2009/10.

### **Health Improvement**

- NHS Grampian has continued to put considerable focus on improving access to NHS dental services over the last few years to rectify our low registration rate when compared to other Board areas. As a consequence, performance against the HEAT measure relating to 3-5 year olds registered with an NHS dentist has continued to increase across Grampian with 71.8% of 3-5 year olds registered as at 30 September 2009. In Aberdeen City 94.7% were registered.
- The percentage of babies exclusively breastfed at 6 weeks has continued to increase with the 2008 target of 36% exceeded at 36.8%
- Progress continues to be made against a number of national targets related to lifestyle choice. These include brief interventions relating to alcohol consumption, child healthy weight and successful smoking cessation.

### **Efficiency and Governance Improvements**

- As detailed elsewhere in this report the Board met its three key financial targets in 2009/10.
- There has been continued focus on increasing the extent of surgery undertaken on a day case basis and within the community. Through the expansion of pre-admission assessment and more effective operational systems to support same day surgery, in August 2009 Grampian undertook 75.5% of the British Association of Day Surgery (BADs) procedures as a day case, well on the way to delivering the 82% target by March 2011.
- The average length of stay for patients admitted to hospital as an emergency continues to fall steadily, and was 4.95 days in September 2009 against a target of 5.5 days. This is slightly above the Scottish average and efforts continue to reduce this further, where clinically appropriate.

## Access to Services

- There have been continued improvements to access times during 2009/10 and we are making good progress towards delivery of the 18 week referral to treatment standard by December 2011. Inpatient and outpatient targets set for March 2010 were met in full.
- The 95% target for the proportion of urgent cancer referrals treated within 2 months (62 days) of referral continues to be met in full and good progress is being made towards the new target of maximum 31 days 'decision to treat' to treatment with 96.9% achieved in February 2010.
- Full delivery of the 98% standard for discharge or transfer within 4 hours from Accident and Emergency departments remained a challenge for NHS Grampian during 2009/10. Performance has been consistently around 95-97%. Ward closures for upgrading at Dr Gray's in late 2009/2010 contributed to the fall in performance there. An action plan is being implemented and full compliance is expected from April 2010 onwards.

## Treatment Appropriate to Individuals

- The NHS Board receives regular reports on all aspects of Healthcare Associated Infection and reducing rates of infection as well as ensuring cleanliness and good clinical practice are high priorities for the Board. NHS Grampian has a reducing rate of staphylococcus bacteraemia and the number in the year ending December 2009 was the lowest of any 12 month period in the past four years. The level of Clostridium difficile infection in the over 65s continues to fall from a high in December 2008 with the six months to February 2010 recording less than a third of the infections recorded for the same period the previous year.

## Sustainability and Environmental Reporting

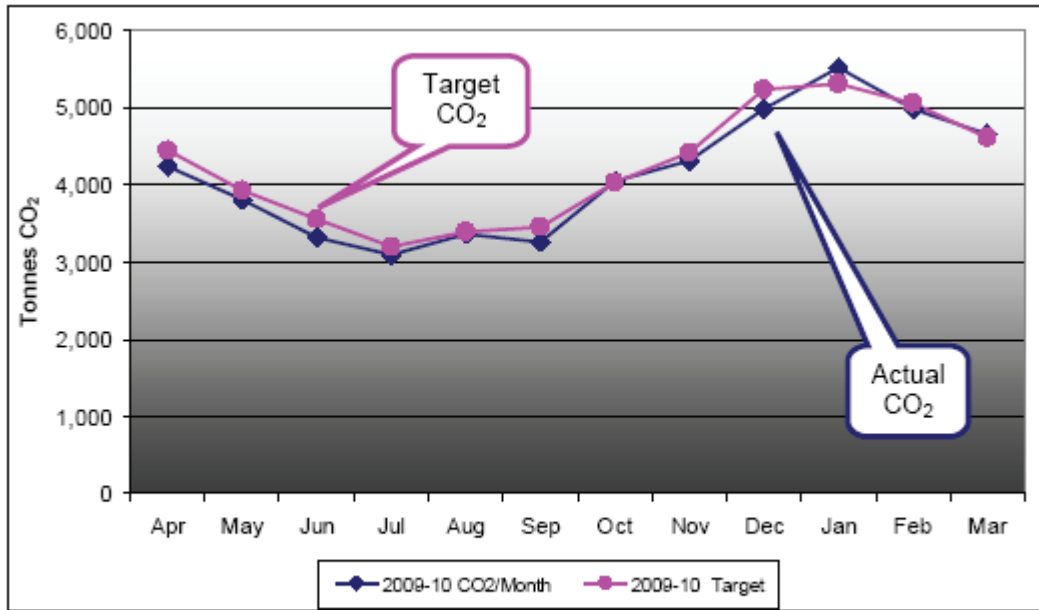
### Overview

NHS Grampian has successfully put in place a ten year Carbon Management Implementation Programme (CMIP) which sets out our strategy in response to "global warming". This was developed on the 2005 asset base and the plans and changes known at the time.

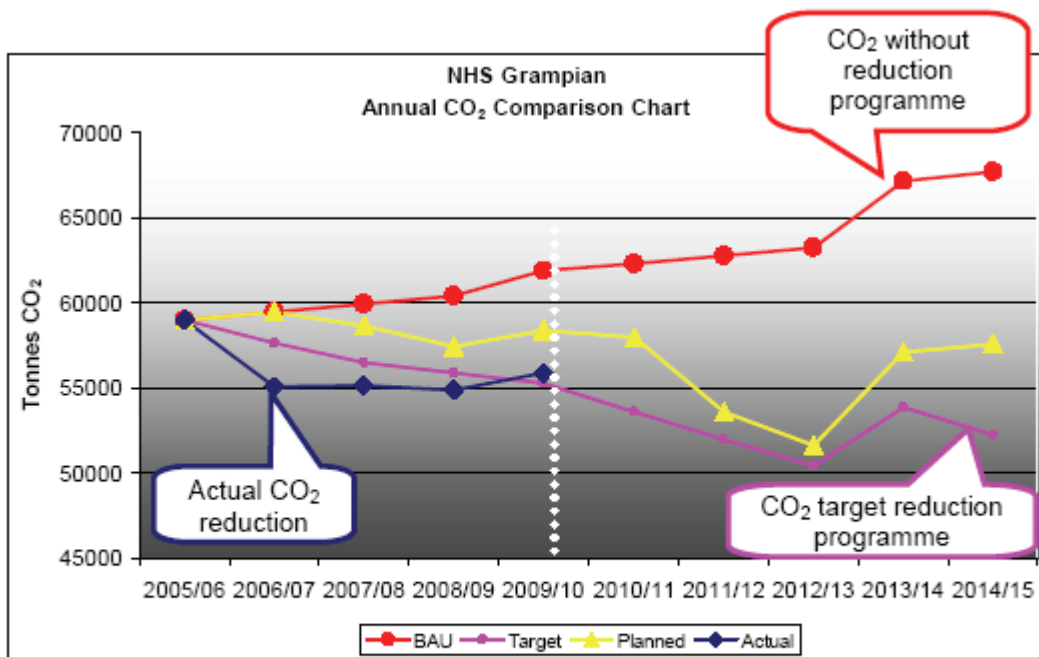
The programme aims to reduce our carbon impact by 2% year on year, which would meet the HEAT E8 Phase 1 Target. Meeting this target would avoid costs totalling £6.9 million and avoid 61,000 tonnes of carbon dioxide emissions.

However for the period 2010-15, Scottish Government has introduced the HEAT E8 Phase 2 Target which now requires a 3% year on year fossil fuel CO<sub>2</sub> emission reduction and a 1% year on year energy efficiency target for the whole asset base. The HEAT E8 Targets now outline a demanding requirement to reduce the current all-Scotland average performance from 65 GJ/100m<sup>3</sup> to 44 GJ/100m<sup>3</sup>. The NHS Grampian 2008/09 average performance was 68.042 GJ/100m<sup>3</sup>. NHS Grampian requires to review and update the current Carbon Management Implementation Programme to meet the new HEAT E8 targets by mapping out a new asset investment strategy. 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 graphs below highlight NHS Grampian's performance for seasonal emissions and against the 10 year CO<sub>2</sub> reduction programme. The seasonal performance is generally to target. However due to additions to the asset base and with no specific energy efficiency investment, NHS Grampian is now entering the performance zone of being above target but where we expect to be during the implementation of the Board's redevelopment plan.



**NHS Grampian 2009/10 CO<sub>2</sub> Seasonal Emissions (Year 5)**



**NHS Grampian 10 Year CO<sub>2</sub> Reduction Programme (at Year 5)**

**Key Achievements**

- NHS Grampian is now at the end of Carbon Management Implementation Programme Year 5 – although this has arguably been the coldest winter for some 30 years, the actual emissions are only 1.2% over the target. Since the commencement of the Programme, we have avoided emitting 20,713 Tonnes of CO<sub>2</sub>.

However when the calculations are weather compensated, the Board has still been able to meet the 2% target reduction from our base year. As seen in the actual emissions graph for 2009 -10, despite the challenging circumstances we have broadly mirrored the seasonal target. Besides seasonal variation, this figure also takes into account a number of expected pressures relating to increased clinical activity and new assets being introduced. The initial CMIP targeting strategy made no allowance for the seasonal aspects of emissions, but this can have a bearing on over 50% of Board CO<sub>2</sub> output.

- NHS Grampian created and remains a member of the public sector led North East Scotland Climate Change Partnership. This includes membership from the three local authorities, Grampian Police, Grampian Fire and Rescue Service and Scottish Ambulance Service. The remit of the group continues to evolve and progress the Government's Climate Change Declaration through sharing best practice and experience.
- NHS Grampian's Asset Investment Group has agreed to adopt the British Research Establishment Environmental Assessment Method (BREEAM) principles for the key elements of the Board's Capital Programme. The independent BREEAM assessment (at Very Good or Excellent) provides a very clear message on the best value of asset investments and the planned capital programme over the coming years will contribute significantly to sustainability and delivery of NHS Grampian's carbon reduction target.
- NHS Grampian participated jointly with Health Facilities Scotland and Sustainable Development Commission Scotland on the scoping project to adapt and introduce the Good Corporate Citizenship Assessment Model (GCCAM) to all Boards. When launched later in 2010 the Model will support NHS Boards developing and managing corporate environmental, social and economic impact and implementing sustainable development action plans.
- A network of "Carbon Champions" continues to make progress at local level across NHS Grampian. Contact is maintained with some twenty five or so staff volunteers who participate in the carbon champion group. This group continues to have a vital role in future carbon reduction idea generation and helping to ensure that day to day operations take carbon management into account wherever possible.
- Waste Recycling initiatives in a number of areas have been implemented or extended. The Board implemented (in late 2008) new and updated contract arrangements for its bulk municipal waste. This now provides recovery and recycling initiatives for all bulk municipal waste and introduces our "zero waste" programme, initially at Summerfield House, the Board's headquarters. The programme is planned to be introduced in phases to other locations during 2010/11.
- The Board implemented (April 2009) new and updated contract arrangements for its healthcare (clinical) wastes. As a first for the NHS, this introduces recovery targets – 80% of the waste will be made safe and recovered or recycled by the end of contract year 2, with this increasing to 90% by the end of contract year 5. Year 1 Recovery / Recycling Performance Reports from the Contractor require to be presented in May 2010.

## **Current Work**

- The Full Business Case for the replacement Foresterhill Campus energy centre under Frameworks Scotland has been approved and construction has commenced. This is a gas turbine combined heat and power plant with a biomass renewable boiler and three dual fuel boiler solution, whereby the Board will generate a significant proportion of its own electricity and use the waste heat for heating and hot water. The carbon savings from the energy centre should be significant. It is scheduled to come on line late Spring 2011.

The approved scheme will contribute by reducing CO<sub>2</sub> by 4,525 tonnes per annum – an estimated 17% reduction in CMIP by 2012. This scheme also ensures that there will be sufficient energy for the Foresterhill Campus during the redevelopment programme providing continuity of existing energy services to existing buildings, whilst new buildings are under construction and commission.

- We have created an ongoing partnership with the Carbon Trust in order to obtain independent "Sustainable Design Guidance" relating to the most imminent capital schemes at the Foresterhill Campus (i.e.: Emergency Care Centre, Ambulatory Care Centre and Combined Heat and Power scheme). It is hoped that a key output from this process will be business cases that accurately reflect whole life cycle costs, including an assessment of carbon impact by each assessed option.

Such an approach may require marginally higher capital investment on new build, although the revenue and carbon reduction benefits over the life of the buildings are likely to be significant.

- All buildings that are now constructed or subject to major refurbishment, require to obtain and display an Energy Performance Certificate. Buildings are with us for a long time and can incur considerable revenue to fund, operate and maintain. Standards to suit the size and complexity of the energy infrastructure have been developed for all new and refurbished buildings, to be certified only in the range A – C. When considered at business case stage this provides a very clear message on the best value of asset investments and the further long term contribution new assets make towards sustainability and our carbon reduction targets.
- Finally, work is currently ongoing for:
  - 1) The Audit Scotland Improving Energy Efficiency Re-Audit in 2010.
  - 2) The recently enacted Climate Change Bill.
  - 3) HEAT E8 Phase 2 target review by mapping out a new asset investment strategy.
  - 4) Carbon Trust review of the Carbon Management Implementation Programme.
  - 5) CRC (Carbon Reduction Commitment) which will commence on 1 April 2010. This is intended as a means of measuring and managing the CO<sub>2</sub> emissions nationally from all sectors of commercial activity. The scheme will ensure that over 90% of all NHS Grampian emissions are reported to an appropriate Environmental Agency (SEPA) and an equivalent monetary value set against the resulting output of CO<sub>2</sub>.

CRC reported annually, for all relevant emissions, will be subject to an equivalent purchase of allowances, and early estimates suggest this could initially cost some £500K during 2011. This sum will be recycled, either with a debit or credit, depending on the performance of NHSG against a corresponding baseline target. Following an introductory phase of 3 years, subsequent phases will be for 7 years and will be subject to “capping” arrangements. The purpose of this will be to drive efficiency and low-carbon techniques as a means of reducing CO<sub>2</sub> emissions nationally.

While there will be a significant financial commitment (albeit partially recycled), the scheme will also require considerable input in terms of Board administration and management. Although broadly similar in ambition to the HEAT E8 target, Esmart and the EU Emissions Trading Scheme, the reporting will be done in a bespoke manner, specific to the CRC statutory requirements.

CRC will require several nominated individuals who will be held responsible for ensuring compliance. A Senior Officer nominated at Director level, who will be held accountable for ensuring accurate returns and proper management of the scheme, or otherwise could be subject to a range of penalties as described in the CRC statutory requirements. Estates and Finance Department nominated support will also be required.



**Directors' Report  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 MARCH 2010**

	Salary (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2009 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2010 £000	Real increase in CETV in year £000	Benefits in kind £000
<b>Remuneration of:</b>							
<b>Executive Members</b>							
Chief Executive							
-Mr Richard Carey	145-150	0-2.5	50-55	949	1043	26	5.2
Medical Director							
-Dr Roelf Dijkhuizen	150-155	0-2.5	35-40	711	775	(4)	
Director of Finance							
- Mr Alan Gall	110-115	0-2.5	20-25	473	533	26	4.4
Nurse Director							
- Mrs Elinor Smith	95-100	0-2.5	25-30	575	632	22	2.7
Director of Public Health							
- Dr Lesley Wilkie	155-160	0-2.5	45-50	1099	1166	(9)	4.2
Director of Human Resources							
-Mr Mark Sinclair	105-110	0-2.5	0-5	30	50	9	2.6
<b>Non Executive Members</b>							
<b>The Chairman</b>							
Dr David Cameron	30-35	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Katharine Dean	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Professor Neva Haites	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Mrs Elizabeth McDade	10-15	n/a	n/a	n/a	n/a	n/a	n/a
Professor Valerie Maehle	15-20	n/a	n/a	n/a	n/a	n/a	n/a
Mr Charles Muir	15-20	n/a	n/a	n/a	n/a	n/a	n/a
Mr Michael Scott	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Lee Bell	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Councillor Bill Howatson	15-20	n/a	n/a	n/a	n/a	n/a	n/a
Dr John Reid	10-15	n/a	n/a	n/a	n/a	n/a	n/a
Mr Terry Mackie	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Mr David Anderson	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Mr Raymond Bisset (from 1 April 2009)	5-10	n/a	n/a	n/a	n/a	n/a	n/a
Mr Gordon Stephen*	85-90	0-2.5	40-45	881	946	50	0
<b>Total</b>						19.1	

\* 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.

Note – Non Executive Board Members who were Chairs of CHP Committees and who assumed additional responsibilities during the year received additional remuneration.

**Directors' Report  
REMUNERATION REPORT (continued)  
FOR THE YEAR ENDED 31 MARCH 2009**

	Salary (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2009 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2008 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2009 £000	Real increase in CETV in year £000	Benefits in kind £000
<b>Remuneration of:</b>							
<b>Executive Members</b>							
Chief Executive							
- Mr Richard Carey	140-145	0-2.5	45-50	695	922	23	2.0
Medical Director							
- Dr Roelf Dijkhuizen**	185-190	2.5-5.0	30-35	465	693	129	-
Director of Finance							
- Mr Alan Gall	110-115	2.5-5.0	15-20	290	462	104	2.6
Nurse Director							
- Mrs Elinor Smith	90-95	0-2.5	25-30	415	560	29	2.1
Director of Public Health							
- Dr Lesley Wilkie	155-160	0-2.5	45-50	802	1072	32	2.1
Director of Human Resources							
-Mr Mark Sinclair	115-120	0-2.5	0-5	-	29	21	1.4
<b>Non Executive Members</b>							
The Chairman							
Dr David Cameron	30-35	n/a	n/a	n/a	n/a	n/a	-
Mrs Barbara Bruce	10-15	n/a	n/a	n/a	n/a	n/a	-
Mrs Margaret Burns (to 31/1/08)	0-5	n/a	n/a	n/a	n/a	n/a	-
Councillor Katharine Dean	5-10	n/a	n/a	n/a	n/a	n/a	-
Professor Neva Haites	10-15	n/a	n/a	n/a	n/a	n/a	-
Mrs Judith Hendry (to 1/9/08)	0-5	n/a	n/a	n/a	n/a	n/a	-
Mrs Elizabeth McDade	5-10	n/a	n/a	n/a	n/a	n/a	-
Professor Valerie Maehle	10-15	n/a	n/a	n/a	n/a	n/a	-
Mr Charles Muir	5-10	n/a	n/a	n/a	n/a	n/a	-
Mr Michael Scott	5-10	n/a	n/a	n/a	n/a	n/a	-
Councillor Bill Howatson	10-15	n/a	n/a	n/a	n/a	n/a	-
Councillor Lee Bell	5-10	n/a	n/a	n/a	n/a	n/a	-
Dr John Reid (from 1/9/08)	0-5	n/a	n/a	n/a	n/a	n/a	-
Mr Terry Mackie (from 1/8/08)	5-10	n/a	n/a	n/a	n/a	n/a	-
Mr David Anderson (from 1/8/08)	5-10	n/a	n/a	n/a	n/a	n/a	-
Mr Gordon Stephen*	155-160	2.5-5	35-40	369	864	96	-
<b>Total</b>							10.2

\* 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 2007/08 relates to regrading of his substantive post through the Agenda for Change Pay Review Process and four years of arrears.

\*\* The Medical Director's increase in salary relates to a regrading from Consultant Grade to Medical Director grade and includes three years of arrears.

Note - Non Executive Board Members who were Chairs of CHP Committees and who assumed additional responsibilities during the year received additional remuneration.

Note - The information in both remuneration tables above has been audited.

## **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 and CEL(2010)6.

#### **Business Interests**

Members of the Grampian NHS Board declare any business interests in a Register of Interests and this is amended when any new interests are declared or existing interests cease. The Register 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 approximately 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, 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 Mike Scott (Chair), Mr David Anderson, Dr David Cameron, Councillor Katharine Dean, Dr John Reid, and Mr Gordon Stephen.

#### **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 Cabinet Secretary for Health and Wellbeing.

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

.....

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

**25 June 2010**

**GRAMPIAN HEALTH BOARD**

**ANNUAL ACCOUNTS 2009/10**

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

.....

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

**25 June 2010**

**GRAMPIAN HEALTH BOARD**

**ANNUAL ACCOUNTS 2009/10**

**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 2010 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 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 Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

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

..... **Dr David Cameron**  
**Chairman**  
**Grampian Health Board**

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

**25 June 2010**

**Date**

## **GRAMPIAN HEALTH BOARD**

### **STATEMENT ON INTERNAL CONTROL**

#### **Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

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

- A Board which meets regularly to consider the plans and strategic direction of the organisation (the Board comprises the senior management of the organisation and Non-Executive members).
- Single system governance and risk management arrangements with clear supporting lines of accountability and agreed scheme of delegation and standing orders.
- The consideration by the Board of periodic reports from the chairs of the performance governance, 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.
- Further development of arrangements to secure continuous improvement in performance, including allocation of lead responsibilities for strategic change projects and implementation of improvement actions across all our clinical and non clinical activities.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

#### **Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This process has been in place for the year up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Government Health Directorate.

## **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 clearly sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian and the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action.
- The effectiveness of the Boards Clinical Governance and Risk Management standards was highlighted following a peer review by NHS QIS.
- We have implemented an assurance framework to assist each of the core governance committees to identify and assess risks that fall within their remit.
- We have completed an audit on the awareness and knowledge of the risk assessment policy and are now working on improvement plans.
- 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.
- 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. During the year under review we utilised the Scottish Government Information Governance Toolkit to review all our current information policies and procedures and assess the risks associated with information we hold and share both internally and externally. We have also commissioned internal audit to independently assess the effectiveness of our arrangements in relation to medical records. The findings and agreed actions for improvement have been allocated to senior officers, with implementation being subject to regular review by the eHealth and Audit Committees. As Chief Executive I have also taken personal responsibility for ensuring that regular monitoring is undertaken of our information governance arrangements and that improvement actions are taken to address identified risks in accordance with agreed implementation timetables.
- We have implemented 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.
- Refocusing and prioritisation of the strategic service design projects underpinning the Continuous Service Improvement programmes in order to address areas of financial pressure and/or support more effective delivery of patient care.

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 2010 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:

- Establishment of an Efficiency and Productivity Programme Management Office (EPPMO) led by a senior officer acting in the capacity of Acting Assistant Chief Executive. The EPPMO will lead on and oversee the development of a programme of work designed to secure significant recurring financial savings and improve the effectiveness and efficiency across all our clinical and non clinical services.



- Comprehensive and organisation wide review of our risks and updating of the corporate risk register and further development of the risk management arrangements at an operational level. The revised strategic risk register has been endorsed by the Board.

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. Best value is part of everyday business and integral to the Board's decision making in all key areas.

To further progress the embedding of a culture of best value across the organisation, NHS Grampian seconded an experienced member of staff from Aberdeenshire Council to lead the further development and awareness of the requirements of Best Value following from the completion of a comprehensive baseline assessment. The work undertaken on the Best Value project, together with the establishment of the EPPMO, demonstrates the commitment the Board has to driving improvement and embedding best value across all services. This will be particularly important in supporting the Board address known financial and activity pressures.

During the financial year ending 31 March 2011 we will continue to seek opportunities to enhance the Board's system of internal control with a specific focus on 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 also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework.
- The work of the Internal Auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement.
- Comments made by the External Auditors in their management letters and other reports.

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

- The approval of annual statements of assurance from each of the core governance committees of the Board.
- Independent consideration of the statement on internal control and its disclosures by Internal Audit, the Audit Committee and the Assurance Framework Steering Group.
- Consideration and approval of the annual accounts, including the Statement on Internal Control by the Board. During the year, minutes of the meetings of the core governance committees were provided to all Board members. At each Board meeting the Chairs of these governance committees are given the opportunity to raise or highlight any significant matters.

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**

During the year ended 31 March 2010, there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.

.....

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

**25 June 2010**

# Independent Auditor's Report

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

I have audited the financial statements of Grampian Health Board for the year ended 31 March 2010 under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Board, Accountable Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Operating and Financial Review and Directors Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Board's compliance with the Scottish Government Health Directorates' guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in

the preparation of the financial statements, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

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

## **Opinions**

### *Financial statements*

In my opinion

- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Board as at 31 March 2010 and of its net operating cost position, changes in taxpayers' equity and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Operating and Financial Review and Directors' Report, included in the Annual Report, is consistent with the financial statements.

### *Regularity*

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

**David McConnell**  
**Assistant Director of Audit (Health)**  
**Audit Scotland**  
**7<sup>th</sup> floor, Plaza Tower**  
**EAST KILBRIDE**  
**G74 1LW**

**Date.....June 2010.....**

## OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £000	2009 £000
<b>Clinical Services Costs</b>			
Hospital and Community	4	696,878	669,924
Less: Hospital and Community Income	8	17,602	16,116
		<u>679,276</u>	<u>653,808</u>
Family Health Services	5	218,434	207,491
Less: Family Health Service Income	8	8,487	8,469
		<u>209,947</u>	<u>199,022</u>
<b>Total Clinical Services Costs</b>		<u>889,223</u>	<u>852,830</u>
Administration Costs	6	4,665	4,732
Less: Administration Income	8	-	-
		<u>4,665</u>	<u>4,732</u>
Other Non-Clinical Services	7	20,108	12,267
Less: Other Operating Income	8	75,977	69,848
		<u>(55,869)</u>	<u>(57,581)</u>
<b>Net Operating Costs</b>	23	<u><b>838,019</b></u>	<u><b>799,981</b></u>

## SUMMARY OF REVENUE RESOURCE OUTTURN

<b>Net Operating Costs (per above)</b>		<b>838,019</b>
Capital Grants (to)/from Other Bodies	9	(1,776)
Profit/(Loss) on disposal of property, plant and equipment and intangible assets	9	(1,930)
Annually Managed Expenditure (Write Downs)		(4,584)
FHS Non Discretionary Allocation		(45,740)
<b>Net Resource Outturn</b>		<b>783,989</b>
Revenue Resource Limit		784,030
<b>Saving/(excess) against Revenue Resource Limit</b>		<u><b>41</b></u>

### Note :

Comparative figures for the 2008/09 revenue resource out turn which were prepared under UK Generally Accepted Accounting Principles are excluded following adoption of International Financial Reporting Standards.

**BALANCE SHEET AS AT 31 MARCH 2010**

		As at 31/3/2010	As at 31/3/2009	As at 31/3/2008
	Note	£000	£000	£000
<b>Non-current assets:</b>				
Property, plant and equipment	11	404,955	412,764	409,308
Intangible Assets	10	1,007	369	21
Financial assets :				
Available for sale financial assets	14	1	1	1
Trade and other receivables	13	6,687	4,566	11,175
<b>Total non-current assets</b>		<b><u>412,650</u></b>	<b><u>417,700</u></b>	<b><u>420,505</u></b>
<b>Current assets :</b>				
Inventories	12	3,673	4,177	5,040
Financial assets:				
Trade and other receivables	13	28,518	31,032	26,947
Cash and cash equivalents	15	3,304	1,709	1,346
Assets classified as held for sale	11c	320	430	387
<b>Total current assets</b>		<b><u>35,815</u></b>	<b><u>37,348</u></b>	<b><u>33,720</u></b>
<b>Total assets</b>		<b><u>448,465</u></b>	<b><u>455,048</u></b>	<b><u>454,225</u></b>
<b>Current liabilities</b>				
Provisions	17	(3,204)	(1,248)	(3,139)
Financial liabilities :				
Trade and other payables	16	(106,929)	(107,699)	(129,677)
<b>Total current liabilities</b>		<b><u>(110,133)</u></b>	<b><u>(108,947)</u></b>	<b><u>(132,816)</u></b>
<b>Non-current assets (less) net current liabilities</b>		<b><u>338,332</u></b>	<b><u>346,101</u></b>	<b><u>321,409</u></b>
<b>Non-current liabilities</b>				
Provisions	17	(10,036)	(8,782)	(13,706)
Financial liabilities:				
Trade and other payables	16	(7,055)	(5,222)	(5,286)
<b>Total non-current liabilities</b>		<b><u>(17,091)</u></b>	<b><u>(14,004)</u></b>	<b><u>(18,992)</u></b>
<b>Assets less liabilities</b>		<b><u>321,241</u></b>	<b><u>332,097</u></b>	<b><u>302,417</u></b>
<b>Taxpayers' Equity</b>				
General Fund		239,314	218,266	181,367
Revaluation reserve		68,789	98,873	105,776
Donated asset reserve		13,138	14,958	15,274
<b>Total taxpayers' equity</b>		<b><u>321,241</u></b>	<b><u>332,097</u></b>	<b><u>302,417</u></b>

Adopted by the Board on 25 June 2010

Mr Richard Carey  
Chief Executive

Mr Alan Gall  
Director of Finance

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £000	2010 £000	2009 £000
<b>Cash flows from operating activities</b>				
Net Operating cost		(838,019)		(799,981)
Adjustments for non-cash transactions	3	41,286		38,293
Add back : interest payable recognised in net operating cost	3	565		359
Deduct: interest receivable recognised in net operating cost	8	-		(13)
(Increase)/decrease in trade and other receivables	18	393		2,524
(Increase)/decrease in inventories	18	504		863
Increase/(decrease) in trade and other payables	18	(4,007)		(22,119)
Increase/(decrease) in provisions	18	3,210		(6,815)
<b>Net cash outflow from operating activities</b>			<b>(796,068)</b>	<b>(786,889)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(52,247)		(37,991)
Purchase of intangible assets		(664)		(475)
Proceeds of disposal of property, plant and equipment		420		235
Interest received		-		13
<b>Net cash outflow from investing activities</b>			<b>(52,491)</b>	<b>(38,218)</b>
<b>Cash flows from financing activities</b>				
Funding		847,175		825,713
Movement in general fund working capital		1,595		363
Cash drawn down		848,770		826,076
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		1,949		(247)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(565)		(359)
<b>Net Financing</b>			<b>850,154</b>	<b>825,470</b>
<b>Net Increase/(decrease) in cash and cash equivalents in the period</b>				
			1,595	363
<b>Cash and cash equivalents at the beginning of the period</b>				
			1,709	1,346
<b>Cash and cash equivalents at the end of the period</b>				
			<b>3,304</b>	<b>1,709</b>
<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
Increase/(decrease) in cash in year			1,595	363
Net debt/cash at 1 April	15		1,709	1,346
<b>Net debt/cash at 31 March</b>	15		<b>3,304</b>	<b>1,709</b>

**STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2010**

	Note	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Other Reserve £000	Government Grant Reserve £000	Total Reserves £000
<b>Balance at 31 March 2009</b>		223,720	96,895	14,958	-	-	335,573
Prior year adjustments for changes in accounting policy and material errors, including First Time Adoption of IFRS	24	(5,454)	1,978	-	-	-	(3,476)
<b>Restated balance at 1 April 2009</b>		<b>218,266</b>	<b>98,873</b>	<b>14,958</b>	-	-	<b>332,097</b>
<b>Changes in taxpayers' equity for 2009/10</b>							
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	-	(25,257)	(1,268)	-	-	(26,525)
Net gain/(loss) on revaluation/indexation of intangible assets	10	-	-	-	-	1	1
Impairment of property, plant and equipment	11	-	(8,935)	-	-	-	(8,935)
Receipt of donated assets	11b	-	-	236	-	-	236
Revaluation & impairments taken to operating costs	3	-	4,584	-	-	-	4,584
Release of reserves to the operating cost statement	11b	-	-	(788)	-	-	(788)
Non-cash charges – cost of capital	3	11,416	-	-	-	-	11,416
Transfers between reserves		476	(476)	-	-	-	-
Other non cash costs		-	-	-	-	(1)	(1)
Net operating cost for the year		(838,019)	-	-	-	-	(838,019)
<b>Total recognised income and expense for 2009/10</b>		<b>(826,127)</b>	<b>(30,084)</b>	<b>(1,820)</b>	-	-	<b>(858,031)</b>
<b>Funding:</b>							
Drawn down		848,770	-	-	-	-	848,770
Movement in General Fund (Creditor)/Debtor		(1,595)	-	-	-	-	(1,595)
<b>Balance at 31 March 2010</b>		<b>239,314</b>	<b>68,789</b>	<b>13,138</b>	-	-	<b>321,241</b>

**STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2009**

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Other Reserve	Government Grant Reserve	Total Reserves
		£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2008</b>		186,608	103,729	15,274	-	-	305,611
Prior year adjustments for changes in accounting policy and material errors, including First Time Adoption of IFRS	24	(5,241)	2,047	-	-	-	(3,194)
<b>Restarted balance at 1 April 2008</b>		181,367	105,776	15,274	-	-	302,417
<b>Changes in taxpayers' equity for 2008/09</b>							
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	-	(6,592)	195	-	-	(6,397)
Net gain/(loss) on revaluation/indexation of intangible assets	10	-	-	-	-	(120)	(120)
Impairment of property, plant and equipment	11	-	(3,184)	-	-	-	(3,184)
Receipt of donated assets	11b	-	-	300	-	-	300
Revaluation & impairments taken to operating costs	3	-	3,184	-	-	-	3,184
Release of reserves to the operating cost statement	11b	-	-	(811)	-	120	(691)
Non-cash charges – cost of capital	3	10,856	-	-	-	-	10,856
Transfers between reserves		311	(311)	-	-	-	-
Net operating cost for the year		(799,981)	-	-	-	-	(799,981)
<b>Total recognised income and expense for 2008/09</b>		(788,814)	(6,903)	(316)	-	-	(796,033)
<b>Funding:</b>							
Drawn down		826,076	-	-	-	-	826,076
Movement in General Fund (Creditor)/Debtor		(363)	-	-	-	-	(363)
<b>Balance at 31 March 2009</b>		<b>218,266</b>	<b>98,873</b>	<b>14,958</b>	<b>-</b>	<b>-</b>	<b>332,097</b>



## 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 30 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 26.

#### 3. First time adoption of International Financial Reporting Standards

These financial statements have been prepared under International Financial Reporting Standards for the first time and the comparatives have been restated from UK Generally Accepted Accounting Policy (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in Notes 23 and 24.

New Financial Instruments Standards FRS 25, FRS 26 and FRS 29 as interpreted and adapted by the Government Financial Reporting Manual (FReM) were adopted under UK GAAP in 2008-09. Prior year comparatives for 2007-08 were restated to reflect these standards. These standards are identical to their equivalent IFRS standards, IAS 32, IAS 39 and IFRS 7.

#### 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 fixed 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 operating cost statement 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 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.

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

### **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 operating cost statement. 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 operating cost statement, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

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 operating cost statement.

### **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:

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

## **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 government grant reserve. The government grant reserve 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 operating cost statement, 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 operating cost statement.

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 asset 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 operating cost statement on each main class of intangible asset as follows:

- 1) Software. Amortised over their 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:

	<b>Useful Life</b>
Information technology	<b>2-5</b>

## **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 value of donated assets is credited to the Donated Asset Reserve. Where a donation covers only part of the total cost of the asset concerned, only that part element is included in the Donated Asset Reserve.

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>). Gains and losses on revaluations are also taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement. Similarly, any impairment on donated assets charged to the operating cost statement is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the General Reserve.

## **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 Operating Cost Statement. 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. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. 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 annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to interest payable in the Operating Cost Statement.

### **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 OCS are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

#### **14. General Fund Debtors and Creditors**

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 operating cost statement 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 operating cost statement 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 an annual limit. Costs above this limit 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 26 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 operating cost statement.

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 operating cost statement.

#### (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 operating cost statement. When a loan or receivable is uncollectible, it

is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

#### (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 operating cost statement. Dividends on available-for-sale equity instruments are recognised in the operating cost statement 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 operating cost statement. Impairment losses recognised in the operating cost statement 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 operating cost statement.

(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 by the Office of the Paymaster General 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. Cost of Capital Charge**

A charge, reflecting the cost of capital utilised by the Board is included in the operating cost statement. The charge for each item in the balance sheet is calculated on the basis of the average net book value of that item over the year. This is calculated at the Government's standard rate (3.5% in current and prior year) in real terms on all assets less liabilities, except for:

- Balance with OPG;
- General Fund Debtor or Creditor balances; and
- Donated assets.

**28. 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.

**29. 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 28 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

### **30. Key sources of judgement and estimation 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 155 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 2010. 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	2009-10 Total £000	2008-09 Total £000
<b>STAFF COSTS</b>								
Salaries and wages	776	260	396,571	-	-	(529)	397,078	382,171
Social security costs	87	22	32,433	-	-	-	32,542	30,899
NHS pension scheme employer's costs	101	11	46,089	-	-	-	46,201	45,464
Other employer's pension costs	-	-	-	-	-	-	-	-
Inward secondees	-	-	-	469	-	-	469	419
Agency staff	-	-	-	-	1,367	-	1,367	2,390
	964	293	475,093	469	1,367	(529)	477,657	461,343
Compensation for loss of office or early retirement	-	-	2,218	-	-	-	2,218	-
<b>Total</b>	<b>964</b>	<b>293</b>	<b>477,311</b>	<b>469</b>	<b>1,367</b>	<b>(529)</b>	<b>479,875</b>	<b>461,343</b>

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

	2010 £000	2009 £000
	617	180

**2a STAFF NUMBERS AND COSTS cont**

<b>STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)</b>	<b>2009-10 ANNUAL MEAN</b>	<b>2008-09 ANNUAL MEAN</b>
Administration Costs	35.9	39.9
Hospital and Community Services	8,662.9	8,518.6
Non Clinical Services	3,663.1	3,498.9
Other, including recharge Trading Accounts	-	-
Inward Secondees	11.0	10.4
Agency Staff	36.0	74.5
Outward Secondees	(9.7)	(14.5)
<b>Board Total Average Staff</b>	<b>* 12,399.2</b>	<b>12,127.8</b>
Staff with a Disability	<u>87.0</u>	<u>111.0</u>
	14.3	3.5

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

\* The increase in average staff numbers in 2009/10 reflects additional investment in both clinical (e.g. medical, nursing, dental) and non clinical (e.g. reception, cleaning staff) areas to sustain waiting times in priority services such as cancer and cardiac, improved recruitment in primary care Dental services, the opening of the Aberdeen Dental School, compliance with the European Working Time Directive and to meet the required standards for Health Acquired Infection.

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:

	<b>2009-10</b>	<b>2008-09</b>
	<b>No.</b>	<b>No.</b>
<b>Clinicians</b>		
£50,000 to £60,000	138	154
£60,001 to £70,000	96	111
£70,001 to £80,000	81	75
£80,001 to £90,000	67	53
£90,001 to £100,000	47	43
£100,001 to £110,000	68	58
£110,001 to £120,000	61	52
£120,001 to £130,000	39	48
£130,001 to £140,000	45	36
£140,001 to £150,000	29	27
£150,001 to £160,000	15	24
£160,001 to £170,000	14	15
£170,001 to £180,000	12	9
£180,001 to £190,000	3	11
£190,001 to £200,000	6	2
£200,001 and above	5	3
<b>Other</b>		
£50,000 to £60,000	200	136
£60,001 to £70,000	104	63
£70,001 to £80,000	41	31
£80,001 to £90,000	23	14
£90,001 to £100,000	10	9
£100,001 to £110,000	5	4
£110,001 to £120,000	1	5
£120,001 to £130,000	1	-
£130,001 to £140,000	4	-
£140,001 to £150,000	3	3
£150,001 to £160,000	2	3
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	1
£190,001 to £200,000	-	-
£200,001 and above	-	-

The increased number of non clinical, higher paid employees over the previous year relates to the number of employees who received arrears of pay under Agenda for Change.



### 3. OTHER OPERATING COSTS

	Note	2010 £000	2009 £000
<b>Expenditure Not Paid in Cash</b>			
Depreciation	11	23,330	23,845
Amortisation	10	27	7
Cost of capital		11,416	10,856
Impairments on property, plant and equipment charged to OCS	11	4,584	3,184
Revaluation EC Carbon Emissions taken to Govt Grant	10	(1)	120
(Profit)/Loss on disposal of property, plant and equipment	9	1,930	281
<b>Total Expenditure Not Paid in Cash</b>		<b><u>41,286</u></b>	<b><u>38,293</u></b>
<b>Interest Payable</b>			
Other Finance lease charges allocated in the year		565	359
<b>Total</b>		<b><u>565</u></b>	<b><u>359</u></b>
<b>Statutory Audit</b>			
External auditor's remuneration and expenses		<u>320</u>	<u>298</u>

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

### 4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2010 £000	2009 £000
<b>BY PROVIDER</b>		
Treatment in Board area of NHSScotland Patients	645,596	618,513
Other NHSScotland Bodies	11,560	10,216
Health Bodies outside Scotland	868	644
Primary Care Bodies	46	45
Private Sector	1,626	2,931
<b>Community Care</b>		
Resource Transfer	31,537	31,200
Contributions to Voluntary Bodies and Charities	4,462	5,041
<b>Total NHSScotland Patients</b>	<b>695,695</b>	<b>668,590</b>
Treatment of UK residents based outside Scotland	<u>1,183</u>	<u>1,334</u>
<b>Total Hospital &amp; Community Health Service</b>	<b><u>696,878</u></b>	<b><u>669,924</u></b>

## 5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget Non Discretionary £000		Total 2010 £000	Total 2009 £000
Primary Medical Services	79,069		79,069	74,112
Pharmaceutical Services	89,109	16,111	105,220	102,815
General Dental Services	44	25,122	25,166	22,173
General Ophthalmic Services	70	8,909	8,979	8,391
<b>Total</b>	<b>168,292</b>	<b>50,142</b>	<b>218,434</b>	<b>207,491</b>

## 6. ADMINISTRATION COSTS

	Note	2010 £000	2009 £000
Board Members' Remuneration	2(a)	1,257	1,349
Administration of Board Meetings and Committees		220	225
Corporate Governance and Statutory Reporting		701	635
Health Planning, Commissioning and Performance Reporting		1,270	1,291
Treasury Management and Financial Planning		462	448
Public Relations		755	784
<b>Total Administration Costs</b>		<b>4,665</b>	<b>4,732</b>

## 7. OTHER NON-CLINICAL SERVICES

	2010 £000	2009 £000
Nurse Teaching	-	-
Closed Hospital Charges	-	-
Compensation Payments – Clinical	*	830
Compensation Payments – Other	149	9
Pension Enhancement & Redundancy	669	599
Patients' Travel Attending Hospitals	233	273
Patients' Travel Highlands and Islands scheme	19	17
Health Promotion	4,073	3,881
Public Health	3,704	3,644
Public Health Medicine Trainees	177	160
Emergency Planning	121	101
Loss on Disposal of Fixed Assets	2,068	330
Other	3,617	2,423
<b>Total Other Non-Clinical Services</b>	<b>20,108</b>	<b>12,267</b>

\* The increase in Clinical Compensation payments reflects the estimated cost of outstanding claims arising during the year, based on the most recent advice from the Central Legal Office

<b>8. OPERATING INCOME</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>HCH Income</b>		
<b>NHSScotland Bodies</b>		
Boards	13,907	12,448
NHS Non-Scottish Bodies	1,183	1,334
<b>Non NHS</b>		
Private Patients	747	762
Compensation Income	1,765	1,572
<b>Total HCH Income</b>	<b><u>17,602</u></b>	<b><u>16,116</u></b>
<b>FHS Income</b>		
Unified	4,085	4,787
<b>Non Discretionary</b>		
General Dental Services	4,402	3,682
<b>Total FHS Income</b>	<b><u>8,487</u></b>	<b><u>8,469</u></b>
<b>Administration Income</b>		
<b>Other Operating Income</b>		
NHS Scotland Bodies	46,013	44,614
Contributions in respect of Clinical/Medical negligence claims	* 4,875	260
Profit on disposal of fixed assets	138	49
Transfer from Donated Asset Reserve in respect of Depreciation	789	811
Interest Received	-	13
Other	** <u>24,162</u>	<u>24,101</u>
<b>Total Other Operating Income</b>	<b><u>75,977</u></b>	<b><u>69,848</u></b>
<b>Total Income</b>	<b><u>102,066</u></b>	<b><u>94,433</u></b>
<b>Of the above, the amount derived from NHS bodies is</b>	<b><u>58,415</u></b>	<b><u>57,016</u></b>

\* 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.

<b>9. ANALYSIS OF CAPITAL EXPENDITURE</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
<b>EXPENDITURE</b>			
Acquisition of Intangible Fixed Assets	10	664	475
Acquisition of Property, Plant and Equipment	11	53,773	37,949
Donated Asset Additions	11b	236	300
Release from donated asset reserve		(236)	(300)
Capital Grants to/(from) Other Bodies		1,776	3,306
(Profit)/Loss on disposal of non-current assets	3	1,930	281
<b>Gross Capital Expenditure</b>		<b><u>58,143</u></b>	<b><u>42,011</u></b>
<b>INCOME</b>			
Net book value of disposal of Property, plant and equipment		2,350	313
Value of disposal of Non-Current Assets held for sale	11c	-	203
<b>Capital Income</b>		<b><u>2,350</u></b>	<b><u>516</u></b>
<b>Net Capital Expenditure</b>		<b><u>55,793</u></b>	<b><u>41,495</u></b>
<b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>			
Capital Resource Limit		<b><u>55,793</u></b>	<b><u>41,501</u></b>
<b>Savings/(excess) against Capital Resource Limit</b>		<b><u>-</u></b>	<b><u>6</u></b>

<b>10. INTANGIBLE FIXED ASSETS</b>	<b>Information Technology- software</b>	<b>EC Carbon Emissions</b>	<b>Websites</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation :</b>				
As at 1 April 2009	73	317	5	395
Additions	447	217	-	664
Revaluation	-	1	-	1
<b>At 31 March 2010</b>	<b><u>520</u></b>	<b><u>535</u></b>	<b><u>5</u></b>	<b><u>1,060</u></b>
<b>Amortisation</b>				
At 1 April 2009	<u>21</u>	-	5	26
Provided during the year	27	-		27
<b>At 31 March 2010</b>	<b><u>48</u></b>	<b><u>-</u></b>	<b><u>5</u></b>	<b><u>53</u></b>
<b>Net Book Value at 1 April 2009</b>	<b><u>52</u></b>	<b><u>317</u></b>	<b><u>-</u></b>	<b><u>369</u></b>
<b>Net Book Value at 31 March 2010</b>	<b><u>472</u></b>	<b><u>535</u></b>	<b><u>-</u></b>	<b><u>1,007</u></b>

The EC Carbon Emissions relate to allowances granted to NHS Grampian under the European Greenhouse Gas Emissions Trading Scheme.

10. INTANGIBLE ASSETS, cont – Prior Year	Information Technology- software	EC Carbon Emissions	Websites	Total
	£000	£000	£000	£000
<b>Cost or Valuation :</b>				
As at 1 April 2008	35		5	40
Additions	38	437	-	475
Revaluation	-	(120)	-	(120)
<b>At 31 March 2009</b>	<b><u>73</u></b>	<b><u>317</u></b>	<b><u>5</u></b>	<b><u>395</u></b>
<b>Amortisation</b>				
At 1 April 2008	14	-	5	19
Provided during the year	7	-	-	7
<b>At 31 March 2009</b>	<b><u>21</u></b>	<b><u>-</u></b>	<b><u>5</u></b>	<b><u>26</u></b>
<b>Net Book Value at 1 April 2008</b>	<b><u>21</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>21</u></b>
<b>Net Book Value at 31 March 2009</b>	<b><u>52</u></b>	<b><u>317</u></b>	<b><u>-</u></b>	<b><u>369</u></b>

11. (a) PROPERTY, PLANT and EQUIPMENT(Purchased Assets)										
	Land Buildings (including under buildings)	Dwellings (excluding dwellings)	Plant & Machinery	Information Technology	Furniture and Fittings	Assets Under Construction	Total			
	£000	£000	£000	£000	£000	£000	£000			
<b>Cost or valuation</b>										
At 1 April 2009	22,791	308,022	12,831	3,124	90,254	22,637	5,690	18,798	484,147	
Additions	1,484	17,827	303	248	9,168	2,251	153	22,339	53,773	
Completions	4	11,878	-	-	-	1,467	-	(13,349)	-	
Transfers	3,053	2,027	(5,080)	-	-	-	-	-	-	
Transfers (to)/from non-current assets held for sale	110	-	-	-	-	-	-	-	110	
Revaluation	278	(53,244)	(1,957)	-	-	-	-	-	(54,923)	
Impairment Charge	-	(8,822)	(113)	-	-	-	-	-	(8,935)	
Disposals	(541)	(2,066)	-	(219)	(5,040)	(403)	(210)	-	(8,479)	
<b>At 31 March 2010</b>	<b>27,179</b>	<b>275,622</b>	<b>5,984</b>	<b>3,153</b>	<b>94,382</b>	<b>25,952</b>	<b>5,633</b>	<b>27,788</b>	<b>465,693</b>	
<b>Depreciation</b>										
At 1 April 2009	-	16,522	313	2,445	47,683	14,242	5,136	-	86,341	
Provided during the year	-	13,435	461	209	6,862	2,235	128	-	23,330	
Transfers	-	176	(176)	-	-	-	-	-	-	
Revaluation	-	(29,068)	(598)	-	-	(403)	(205)	-	(29,666)	
Disposals	-	(364)	-	(215)	(4,942)	(403)	(205)	-	(6,129)	
<b>At 31 March 2010</b>	<b>-</b>	<b>701</b>	<b>-</b>	<b>2,439</b>	<b>49,603</b>	<b>16,074</b>	<b>5,059</b>	<b>-</b>	<b>73,876</b>	
<b>Net Book Value at 1 April 2009</b>	<b>22,791</b>	<b>291,500</b>	<b>12,518</b>	<b>679</b>	<b>42,571</b>	<b>8,395</b>	<b>554</b>	<b>18,798</b>	<b>397,806</b>	
<b>Net Book Value at 31 March 2010</b>	<b>27,179</b>	<b>274,921</b>	<b>5,984</b>	<b>714</b>	<b>44,779</b>	<b>9,878</b>	<b>574</b>	<b>27,788</b>	<b>391,817</b>	
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>3,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,900</b>	
<b>Asset financing:</b>										
Owned	27,179	267,975	5,984	714	44,779	9,878	574	27,788	384,871	
Finance leased	-	6,946	-	-	-	-	-	-	6,946	
<b>Net Book Value at 31 March 2010</b>	<b>27,179</b>	<b>274,921</b>	<b>5,984</b>	<b>714</b>	<b>44,779</b>	<b>9,878</b>	<b>574</b>	<b>27,788</b>	<b>391,817</b>	

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR										
	Land Buildings (including under dwellings) £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	
<b>Cost or valuation</b>										
At 1 April 2008	27,169	328,554	13,031	3,577	83,368	18,927	5,778	6,477	486,881	
Additions	4	7,228	1,559	238	7,620	3,741	83	17,476	37,949	
Completions	-	4,586	-	-	558	-	11	(5,155)	-	
Transfers	-	382	(382)	-	-	-	-	-	-	
Transfers (to)/from non-current assets held for sale	(243)	-	-	-	-	-	-	-	(243)	
Revaluation	(4,139)	(29,127)	(1,361)	-	-	-	-	-	(34,627)	
Impairment Charge	-	(3,168)	(16)	-	-	-	-	-	(3,184)	
Disposals	-	(433)	-	(691)	(1,292)	(31)	(182)	-	(2,629)	
<b>At 31 March 2009</b>	<b>22,791</b>	<b>308,022</b>	<b>12,831</b>	<b>3,124</b>	<b>90,254</b>	<b>22,637</b>	<b>5,690</b>	<b>18,798</b>	<b>484,147</b>	
<b>Depreciation</b>										
At 1 April 2008	-	29,021	845	2,924	42,303	12,567	5,187	-	92,847	
Provided during the year	-	14,636	493	211	6,668	1,706	131	-	23,845	
Transfers	-	56	(56)	-	-	-	-	-	-	
Revaluation	-	(27,066)	(969)	-	-	-	-	-	(28,035)	
Disposals	-	(125)	-	(690)	(1,288)	(31)	(182)	-	(2,316)	
<b>At 31 March 2009</b>	<b>-</b>	<b>16,522</b>	<b>313</b>	<b>2,445</b>	<b>47,683</b>	<b>14,242</b>	<b>5,136</b>	<b>-</b>	<b>86,341</b>	
<b>Net Book Value at 1 April 2008</b>	<b>27,169</b>	<b>299,533</b>	<b>12,186</b>	<b>653</b>	<b>41,065</b>	<b>6,360</b>	<b>591</b>	<b>6,477</b>	<b>394,034</b>	
<b>Net Book Value at 31 March 2009</b>	<b>22,791</b>	<b>291,500</b>	<b>12,518</b>	<b>679</b>	<b>42,571</b>	<b>8,395</b>	<b>554</b>	<b>18,798</b>	<b>397,806</b>	
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>1,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1057</b>	
<b>Asset financing:</b>										
Owned	22,791	286,280	12,518	679	42,571	8,395	554	18,798	392,586	
Finance leased	-	5,220	-	-	-	-	-	-	5,220	
<b>Net Book Value at 31 March 2009</b>	<b>22,791</b>	<b>291,500</b>	<b>12,518</b>	<b>679</b>	<b>42,571</b>	<b>8,395</b>	<b>554</b>	<b>18,798</b>	<b>397,806</b>	



**11. (b) TANGIBLE FIXED ASSETS (Donated Assets)**

	Land (land holdings and land underlying buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
<b>Cost or valuation</b>								
At 1 April 2009	84	13,758	-	119	4,300	75	44	18,380
Additions	-	-	-	45	181	10	-	236
Revaluation	(5)	(1,980)	-	-	-	-	-	(1,985)
Disposals	-	-	-	-	(386)	(7)	(14)	(407)
<b>At 31 March 2010</b>	<b>79</b>	<b>11,778</b>	<b>-</b>	<b>164</b>	<b>4,095</b>	<b>78</b>	<b>30</b>	<b>16,224</b>
<b>Depreciation</b>								
At 1 April 2009	-	250	-	109	2,955	75	33	3,422
Provided during the year	-	467	-	10	306	2	3	788
Revaluation	-	(717)	-	-	-	-	-	(717)
Disposals	-	-	-	-	(386)	(7)	(14)	(407)
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>2,875</b>	<b>70</b>	<b>22</b>	<b>3,086</b>
<b>Net Book Value at 1 April 2009</b>	<b>84</b>	<b>13,508</b>	<b>-</b>	<b>10</b>	<b>1,345</b>	<b>-</b>	<b>11</b>	<b>14,958</b>
<b>Net Book Value at 31 March 2010</b>	<b>79</b>	<b>11,778</b>	<b>-</b>	<b>45</b>	<b>1,220</b>	<b>8</b>	<b>8</b>	<b>13,138</b>
<b>Open Market Value of Land in Land and Dwellings Included above</b>								
<b>Asset financing: Owned</b>	79	11,778		45	1,220	8	8	13,138
<b>Net Book Value at 31 March 2010</b>	<b>79</b>	<b>11,778</b>		<b>45</b>	<b>1,220</b>	<b>8</b>	<b>8</b>	<b>13,138</b>

**11. (b) PROPERTY, PLANT AND EQUIPMENT (DONATED ASSETS) – PRIOR YEAR**

	Land & Buildings (excluding dwellings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
<b>Cost or valuation</b>								
At 1 April 2008	95	14,371	-	155	5,068	90	44	19,823
Additions	-	287	-	-	13	-	-	300
Revaluation	(11)	(900)	-	-	-	-	-	(911)
Disposals	-	-	-	(36)	(781)	(15)	-	(832)
<b>At 31 March 2009</b>	<b>84</b>	<b>13,758</b>	<b>-</b>	<b>119</b>	<b>4,300</b>	<b>75</b>	<b>44</b>	<b>18,380</b>
<b>Depreciation</b>								
At 1 April 2008	-	879	-	137	3,413	90	30	4,549
Provided during the year	-	477	-	8	323	-	3	811
Revaluation	-	(1,106)	-	-	-	-	-	(1,106)
Disposals	-	-	-	(36)	(781)	(15)	-	(832)
<b>At 31 March 2009</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>109</b>	<b>2,955</b>	<b>75</b>	<b>33</b>	<b>3,422</b>
<b>Net Book Value at 1 April 2008</b>	<b>95</b>	<b>13,492</b>	<b>-</b>	<b>18</b>	<b>1,655</b>	<b>-</b>	<b>14</b>	<b>15,274</b>
<b>Net Book Value at 31 March 2009</b>	<b>84</b>	<b>13,508</b>	<b>-</b>	<b>10</b>	<b>1,345</b>	<b>-</b>	<b>11</b>	<b>14,958</b>
<b>Open Market Value of Land in Land and Dwellings Included above</b>								
<b>Asset financing:</b>								
Owned	84	13,508	-	10	1,345	-	11	14,958
<b>Net Book Value at 31 March 09</b>	<b>84</b>	<b>13,508</b>	<b>-</b>	<b>10</b>	<b>1,345</b>	<b>-</b>	<b>11</b>	<b>14,958</b>

## 11.(c) ASSETS HELD FOR SALE

The following assets relating to Seaton and Laurencekirk clinics have been presented as held for sale following the approval for sale by the Grampian NHS Board. The sale of Laurencekirk was completed on 28th May 2010 and the sale of Seaton is expected to be completed by the end of June 2010.

	Note	Property, Plant & Equipment £000	Intangible Assets £000	Total £000
<b>At 1 April 2009</b>		430		430
Transfer (to)/from property, plant and equipment	11a	(110)		(110)
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				
<b>As at 31 March 2010</b>		<b>320</b>		<b>320</b>
<b>At 1 April 2008</b>		387		387
Transfer (to)/from property, plant and equipment	11a	243		243
Transfer (to)/from intangible assets	10			
Gain or Losses recognised on remeasurement of non-current assets held for sale		3		3
Disposals for non-current assets held for sale		(203)		(203)
<b>As at 31 March 2009</b>		<b>430</b>		<b>430</b>

<b>11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES</b>	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Net book value of tangible fixed assets at 31 March</b>			
Purchased	<b>11a</b>	391,817	397,806
Donated	<b>11b</b>	<u>13,138</u>	<u>14,958</u>
<b>Total</b>		<b><u>404,955</u></b>	<b><u>412,764</u></b>
<b>Tangible Fixed assets include land and buildings which have been taken out of operational use and declared surplus as follows :-</b>			
Net book value of surplus land valued at open market value at 31 March		<u>3,900</u>	<u>1,057</u>
Net book value of surplus buildings valued at open market value at 31 March		<u>-</u>	<u>2,815</u>
<b>Tangible Fixed assets include assets held under Finance Leases</b>		<u>6,946</u>	<u>5,220</u>
<b>Total depreciation charged in respect of assets held under Finance Leases</b>		<u>388</u>	<u>310</u>

All Land and Buildings were fully revalued by the Valuation Office Agency (VOA) at 31 March 2010 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 2010.

The revaluation of Land and Buildings resulted in a net reduction of £28.1 million in the carrying value of these assets (2008/09: increase of £7.2 million on part of the asset base under a rolling programme) with £26.2 million charged to the revaluation reserve (2008/09 £9.0 million) and £1.9 million charged to the operating cost statement (2008/09 £1.8 million).

<b>12. INVENTORIES</b>	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Raw Materials and Consumables	<u>3,673</u>	<u>4,177</u>	<u>5,040</u>

<b>13. TRADE AND OTHER RECEIVABLES</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Receivables due within one year:</b>			
<b>NHSScotland</b>			
- SGHD	-	32	185
- Boards	5,126	6,105	4,002
<b>Total NHS Scotland Receivables</b>	<b>5,126</b>	<b>6,137</b>	<b>4,187</b>
NHS Non-Scottish Bodies	600	623	577
VAT recoverable	981	911	1,141
Prepayments	3,083	3,530	3,523
Accrued income	2,301	2,633	1,922
Other Receivables	12,801	14,166	12,930
Reimbursement of Provisions	1,872	768	2,393
Other Public Sector Bodies	1,754	2,264	274
<b>Total Receivables due within one year</b>	<b>28,518</b>	<b>31,032</b>	<b>26,947</b>
<b>Receivables due after more than one year</b>			
<b>NHSScotland</b>			
Prepayments	96	-	-
Accrued Income	1,763	1,494	1,603
Reimbursement of Provisions	4,828	3,072	9,572
<b>Total receivables due after more than one year</b>	<b>6,687</b>	<b>4,566</b>	<b>11,175</b>
<b>TOTAL RECEIVABLES</b>	<b>35,205</b>	<b>35,598</b>	<b>38,122</b>
The total receivables figure above includes a provision for bad debt of :	130	102	124
<b>WGA Classification</b>			
NHSScotland	5,126	6,105	4,002
Central Government Bodies	1,107	964	-
Whole of Government Bodies	2,225	2,866	-
Balances with NHS Bodies in England and Wales	600	623	577
Balances with bodies external to Government	26,147	25,040	33,543
<b>Total</b>	<b>35,205</b>	<b>35,598</b>	<b>38,122</b>
Movements on the provision for impairment of debtors are as follows:		<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
As at 31 April 2009		102	124
Provision for debtors impairment		117	-
Receivables written off during the year as uncollectible		(89)	(22)
<b>As at 31 March 2010</b>		<b>130</b>	<b>102</b>

As of 31 March 2010, debtors with a carrying value of £0.13million (£0.102 million 2008/09) were impaired and provided for. The amount of the provision was £0.13million (£0.102 million 2008/09). The ageing of these receivables is as follows:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Over 6 months past due	<u>130</u>	<u>102</u>
	<b><u>130</u></b>	<b><u>102</u></b>

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 2010, debtors of carrying value of £1.355 million (£3.061 million 2008/09) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Up to 3 months past due	858	2,483
3 to 6 months past due	172	248
Over 6 months past due	<u>325</u>	<u>330</u>
	<b><u>1,355</u></b>	<b><u>3,061</u></b>

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:-

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Existing customers with no defaults in the past	1,355	3,061

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.

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
The carrying amount of debtors are denominated in the Pounds Sterling	<u>35,205</u>	<u>35,598</u>

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 £7.219 million (£4.566 million 2008/09).

#### 14. AVAILABLE FOR SALE FINANCIAL ASSETS

	2010 £000	2009 £000	2008 £000
Government securities			
Other	1	1	1
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>At 1 April 2009</b>	1	1	1
Additions	-	-	-
Disposals	-	-	-
Impairment recognised in Operating Cost Statement	-	-	-
Revaluation surplus/(deficit)transferred to equity	-	-	-
At 31 March	<b>1</b>	<b>1</b>	<b>1</b>
Current			
Non-current	1	1	1
At 31 March	<b>1</b>	<b>1</b>	<b>1</b>

Available for sale financial assets comprise the investment in TMRI Ltd, an unlisted investment denominated in UK pounds.

The carrying value of the investment is cost less impairment as there is no active market for the equity investment in TMRI Ltd.

## 15. CASH AND CASH EQUIVALENTS

	At 01/04/09 £000	Cash Flow £000	At 31/03/10 £000
OPG account balance	1,633	1,603	3,236
Cash at bank and in hand	<u>76</u>	<u>(8)</u>	<u>68</u>
<b>Total cash and cash equivalents– balance sheet</b>	<b>1,709</b>	<b>1,595</b>	<b>3,304</b>
<b>Total cash – cash flow statement</b>	<b><u>1,709</u></b>	<b><u>1,595</u></b>	<b><u>3,304</u></b>

	At 01/04/08 £000	Cash Flow £000	At 31/03/09 £000
OPG account balance	1,283	350	1,633
Cash at bank and in hand	<u>63</u>	<u>13</u>	<u>76</u>
<b>Total cash and cash equivalents – balance sheet</b>	<b>1,346</b>	<b>363</b>	<b>1,709</b>
<b>Total cash – cash flow statement</b>	<b><u>1,346</u></b>	<b><u>363</u></b>	<b><u>1,709</u></b>

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

	Note	2010 £000	2009 £000	2008 £000
<b>Payables due within one year</b>				
-Boards		7,697	2,328	2,424
<b>Total NHSScotland Payables</b>		<b>7,697</b>	<b>2,328</b>	<b>2,424</b>
NHS Non-Scottish Bodies		402	213	343
General Fund Payable		3,304	1,709	1,346
FHS Practitioners		25,298	26,886	28,852
Trade Creditors		26,576	16,361	22,808
Accruals		20,088	24,915	25,152
Deferred income		1,560	968	1,205
Net obligations under Finance Leases	21	180	166	244
Income Tax & Social Security		10,287	10,537	9,253
Superannuation		5,868	6,110	5,300
Other Public Sector Bodies		1,542	1,116	4,088
EC Carbon Emissions Grant		91	-	-
Other Payables		3,409	2,839	2,192
Other Significant Payables: Agenda for Change		627	13,551	26,470
<b>Total Payables due within one year</b>		<b>106,929</b>	<b>107,699</b>	<b>129,677</b>
<b>Payables due after more than one year</b>	Note	2010 £000	2009 £000	2008 £000
<b>NHSScotland</b>				
Other Public Sector Bodies				
Net obligations under Finance Leases due within 5 years	21	1,027	874	785
Net obligations under Finance Leases due after 5 years	21	6,028	4,246	4,501
EC Carbon Emissions		-	102	-
<b>Total Payables due after more than one year</b>		<b>7,055</b>	<b>5,222</b>	<b>5,286</b>
<b>Total Payables</b>		<b>113,984</b>	<b>112,921</b>	<b>134,963</b>
<b>WGA Classification</b>				
NHSScotland		7,697	2,328	2,424
Central Government Bodies		16,200	10,537	-
Whole of Government Bodies		1,899	1,329	-
Balances with NHS Bodies in England and Wales		402	213	343
Balances with bodies external to Government		87,786	98,514	132,196
<b>Total</b>		<b>113,984</b>	<b>112,921</b>	<b>134,963</b>

	2010 £000	2009 £000
Borrowings included above comprise Finance Leases :	<u>7,235</u>	<u>5,286</u>

The carrying amount and fair value of the non-current borrowings : Finance Leases	<u>7,055</u>	<u>5,120</u>
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The carrying amount of payables are denominated in Pounds Sterling	<u>113,984</u>	<u>112,921</u>
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The carrying amount of short term payables approximates their fair value.

## 17. PROVISIONS

	<b>Pensions and similar obligations</b>	<b>Clinical &amp; Medical</b>	<b>EC Carbon Emissions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2009	5,219	4,596	215	10,030
Arising during the year	766	5,726	184	6,676
Utilised during the year	-	(774)	-	(774)
Reversed Unutilised	(87)	(2,605)	-	(2,692)
<b>As at 31 March 2010</b>	<b>5,898</b>	<b>6,943</b>	<b>399</b>	<b>13,240</b>

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

### Analysis of expected timing of discounted flows

	<b>Pensions and similar obligations</b>	<b>Clinical &amp; Medical</b>	<b>EC Carbon Emissions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Current	1,416	1,389	399	3,204
Non-Current	4,482	5,554	-	10,036
<b>At 31 March 2010</b>	<b>5,898</b>	<b>6,943</b>	<b>399</b>	<b>13,240</b>

### PRIOR YEAR

	<b>Pensions and similar obligations</b>	<b>Clinical &amp; Medical</b>	<b>EC Carbon Emissions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2008	4,729	12,116	-	16,845
Arising during the year	490	488	215	1,193
Utilised during the year	-	(4,326)	-	(4,326)
Reversed unutilised	-	(3,682)	-	(3,682)
<b>At 31 March 2009</b>	<b>5,219</b>	<b>4,596</b>	<b>215</b>	<b>10,030</b>

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

## Analysis of expected timing of discounted flows

	<b>Pensions and similar obligations</b>	<b>Clinical &amp; Medical</b>	<b>EC Carbon Emissions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Current	328	920	-	1,248
Non-Current	4,891	3,676	215	8,782
<b>At 31 March 2009</b>	<b>5,219</b>	<b>4,596</b>	<b>215</b>	<b>10,030</b>
Current	715	2,424	-	3,139
Non-Current	4,014	9,692	-	13,706
<b>At 31 March 2008</b>	<b>4,729</b>	<b>12,116</b>	<b>-</b>	<b>16,845</b>

### 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 1.8% 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 the next 37 years.

### Clinical and Medical

The Board provides for legal or constructive obligations that are of uncertain timing or amount on the basis of the best estimate of the expenditure required to settle the obligation. The provision is calculated based on an estimate from the Central Legal Office of claims outstanding at 31 March 2010. 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.

### EC Carbon Emissions

NHS Grampian is required by statute to participate in the introductory phase of the European Carbon Emission Scheme which is of three years duration running until December 2010 and which focuses solely on carbon emissions from the Foresterhill Site. The scheme allocates emission target allowances or units to NHS Grampian and these are recorded as an intangible asset. The provision of £0.399m represents the monetary cost of the independently audited emissions in the period ended 31 March 2010. 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 2010 £000	Net Movement 2009 £000
<b>INVENTORIES</b>					
Balance Sheet	12	4,177	3,673		
<b>Net Decrease/(Increase)</b>				<b>504</b>	<b>863</b>
<b>TRADE AND OTHER RECEIVABLES</b>					
Due within one year	13	31,032	28,518		(4,085)
Due after more than one year	13	4,566	6,687		6,609
		35,598	35,205		
		35,598	35,205		
<b>Net Decrease/(increase)</b>				<b>393</b>	<b>2,524</b>
<b>TRADE AND OTHER PAYABLES</b>					
Due within one year	16	107,699	106,929		(21,900)
Due after more than one year	16	5,222	7,055		(146)
Less: Property, Plant & Equipment (Capital) included in above		(1,274)	(2,800)		42
Less: General Fund Creditor included in above	16	(1,709)	(3,304)		(362)
Less: Lease and PFI Creditors included in above	16	(5,286)	(7,235)		247
		104,652	100,645		
<b>Net (Decrease)/Increase</b>				<b>(4,007)</b>	<b>(22,119)</b>
<b>PROVISIONS</b>					
Balance Sheet	17	10,030	13,240		(6,815)
<b>Net (Decrease)/Increase</b>				<b>3,210</b>	<b>(6,815)</b>
<b>NET MOVEMENT (Decrease)/Increase</b>				<b>100</b>	<b>(25,547)</b>

## 19. CONTINGENT LIABILITIES

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

<b>Nature</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Clinical and medical compensation payments	801	1,014
Employer's liability	78	78
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>879</b>	<b>1,092</b>
<b>CONTINGENT ASSETS</b>		
Clinical and medical compensation payments	525	750

### Clinical, Medical and employers liability compensation claims

A number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for, and which the Central Legal Office of the Scottish 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 have 155 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 those 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.)

In the case of *Hartley v. Northumbria Healthcare NHS Trust* the Employment Tribunal ruled that the Agenda for Change job evaluation scheme was not discriminatory. This decision has curtailed the possibility of claims for any period after 1 October 2004. This decision led to the withdrawal of a number of claims by claimants represented by a contingency fee solicitor. The decision in *Hartley* and other recent decisions call into question how, and whether, several other aspects of claims will be taken forward. Only claims for the period prior to 1 October 2004 are likely to be progressed and the claimants will still have to establish that their jobs were of equal value to comparator jobs for that period.

Some cases are now being pursued that seek to establish the position in relation to specific aspects of claims that may impact on their scope and the potential comparator jobs that could be considered. In particular there is a test case that is considering the validity of the explanation which has been provided by the respondents as to why claimants and comparators doing jobs of equal value were in fact paid differently. The explanation is around the different collective bargaining structures that were in place for different staff groups. The outcome of this case will be important and will inform decision making about the strength of similar defences in other cases.

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 and the 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 it is not possible to quantify.

## 20. CONTRACTUAL COMMITMENTS

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

<b>Capital Commitments</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Contracted</b>		
Fraserburgh Hospital	-	1,411
Grampian PACS	-	2,263
Elgin Dental Development	-	1,468
Dr Gray's Statutory Standards	-	1,800
Energy Centre, Foresterhill, Aberdeen	7,005	-
Chalmers Hospital, Banff	8,399	12,486
Aberdeen Dental School	-	3,424
Integrated Drug Service	2,041	-
Whinhill Health Centre	2,132	-
Others	1,681	2,868
<b>Total</b>	<b>21,258</b>	<b>25,720</b>
<b>Authorised but not Contracted</b>		
Integrated Drug Service	-	2,759
Emergency Care Centre	99,429	8,002
Braemar Health Centre	-	711
Maryhill Health Centre	-	650
Woodend South Block	5,840	-
Forres Hospital & Health Centre	7,000	-
Aberdeen Health Village	7,878	-
MRI Upgrade Aberdeen Royal Infirmary	4,440	-
<b>Total</b>	<b>124,587</b>	<b>12,122</b>

### Financial Guarantees, Indemnities and Letter of Comfort

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

## 21. COMMITMENTS UNDER LEASES

	Note	2010 £000	2009 £000
<b>Operating Leases</b>			
Total future minimum lease payments under operating leases are given in the table below for each of the following period			
<b>Obligations under operating leases comprise:</b>			
<b>Land</b>			
Not later than one year		209	184
Later than one year, not later than five years		847	843
Later than five years		3,340	3,554
<b>Buildings</b>			
Not later than one year		322	226
Later than one year, not later than five years		1,054	790
Later than five years		1,757	1,031
<b>Other</b>			
Not later than one year		597	227
Later than one year, not later than five years		909	998
Later than five years			
<b>Amounts charged to Operating Costs in the year were :</b>			
Hire of Equipment (including vehicles)		1786	1579
Other operating leases		937	594
<b>Total</b>		<u>2,723</u>	<u>2,173</u>
<b>Finance Leases</b>			
Total future minimum lease payments under finance leases are given in the table below for each of the following periods.		-	-
<b>Obligations under Finance leases comprise :</b>			
<b>Buildings</b>			
Rentals due within one year	16	828	616
Rentals due between two and five years (inclusive)	16	3,350	2,520
Rentals due after five years	16	<u>12,537</u>	<u>7,713</u>
		16,715	10,849
Less interest element		<u>(9,480)</u>	<u>(5,563)</u>
		<u><b>7,235</b></u>	<u><b>5,286</b></u>
This total net obligation under finance leases is analysed in Note 16 (Creditors)			
<b>Aggregate Rentals Receivables in the year</b>			
Total of finance & operating leases		<u>-</u>	<u>-</u>

## 22. PENSION COSTS

The 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 2009-10, normal employer contributions of £46.201million were payable to the SPPA (08/09 £45.464 million) at the rate of 13.5% (08/09 14%) of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £0.312 million (prior year £0.735 million) 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 £5.898 million are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement 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 benefits 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  $1/80^{\text{th}}$  of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5% and 8.5% of pensionable earnings. Pensions are increased in line with the Retail Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 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  $1/60^{\text{th}}$  and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% 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 the full pension and lump sum which they have earned.



	<b>2009-10</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>
Pension cost charge for the year	46,201	45,464
Additional Costs arising from early retirement	312	735
Provisions/Liabilities/Pre-payments included in the Balance Sheet	5,898	5,219

### **23. FIRST TIME ADOPTION OF IFRS**

For all periods up to and including the year ended 31 March 2009, Grampian Health Board prepared its annual report and accounts in accordance with UK GAAP. For the year ended 31 March 2010, Grampian Health Board is required to prepare its annual report and accounts in accordance with International Financial Reporting Standards (IFRS) as interpreted by the IFReM.

IFRS 1 requires that where an entity adopted IFRS for the first time, comparative amounts should be restated to reflect the new accounting policies, and that the date of transition to IFRS is the beginning of the earliest comparative year reported in the financial statement. For Grampian Health Board applying IFRS from 2009-10, this means that the effective date of transition to IFRS is 1 April 2008.

The IFRS also requires that accounting policies are applied retrospectively i.e. as if the transactions had always been accounted for under the new policy.

#### **Reconciliation of Operating Cost Statement for the year ended 31 March 2009 from UK GAAP to IFRS**

	<b>£000</b>
<b>Net operating cost for 2008/09 under UK GAAP</b>	799,699
Adjustment for:	
IAS 19 Employee Benefit	216
IAS 17 Leases	66
<b>Net operating cost for 2008/09 under IFRS</b>	<u>799,981</u>

#### **IAS 19 Employee benefit**

IAS 19 applies to the accounting for employee benefits, which states that entities must recognise the expected cost of short term accumulating compensated absence. An exercise to cost the amount of holiday entitlement owed to staff at the end of each financial year has been carried out. To recognise the costs an accrual has been reflected in the balance sheet.

#### **IAS 17 Leases**

Accounting for leases under UK GAAP and IFRS is very similar. Both require leases to be classed as finance leases or operating leases. However, IAS 17 does not provide a quantitative test of where a lease is a finance lease (90% test), instead it provides additional guidance on when a lease should be classified as a finance lease. Following a review of material contracts, an adjustment has been made to the accounts to reflect contracts that have been reclassified from operating leases to finance leases.

24. RESTATED BALANCE SHEET FOR THE YEAR ENDED 31 MARCH 2009

	Per UK GAAP Accounts 2008/09	UK GAAP adjustments	Restated UK GAAP 2008/09	IFRS 5 Non- current assets held for sale	IAS 19 Employee Benefits	IAS 17 Leases	IAS 16 Property, Plant and Equipment	IAS 37 Provisions	IFRS Balance Sheet 2008/09
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Non-current assets:</b>									
Property, Plant and equipment	407,974	-	407,974	(430)	-	5,220	-	-	412,764
Intangible assets	369	-	369	-	-	-	-	-	369
Financial assets:	-	-	-	-	-	-	-	-	-
Available for sale financial assets	-	1	1	-	-	-	-	-	1
Trade and other receivables	4,566	-	4,566	-	-	-	-	-	4,566
<b>Total non-current assets</b>	<b>412,909</b>	<b>1</b>	<b>412,910</b>	<b>(430)</b>	<b>-</b>	<b>5,220</b>	<b>-</b>	<b>-</b>	<b>417,700</b>
<b>Current Assets:</b>									
Inventories	4,177	-	4,177	-	-	-	-	-	4,177
Trade and other receivables	31,032	-	31,032	-	-	-	-	-	31,032
Cash and Cash equivalent	1,709	-	1,709	-	-	-	-	-	1,709
Available for sale financial assets	1	(1)	-	-	-	-	-	-	-
Derivatives financial assets	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>36,919</b>	<b>(1)</b>	<b>36,918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,918</b>
Non-current assets classified as held for sale	-	-	-	430	-	-	-	-	430
<b>Total assets</b>	<b>449,828</b>	<b>-</b>	<b>449,828</b>	<b>-</b>	<b>-</b>	<b>5,220</b>	<b>-</b>	<b>-</b>	<b>455,048</b>
<b>Current liabilities:</b>									
Provisions	-	-	-	-	-	-	-	(1,248)	(1,248)
Trade and other payables	(104,123)	-	(104,123)	-	(3,410)	(166)	-	-	(107,699)
Derivatives financial liabilities	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>(104,123)</b>	<b>-</b>	<b>(104,123)</b>	<b>-</b>	<b>(3,410)</b>	<b>(166)</b>	<b>-</b>	<b>(1,248)</b>	<b>(108,947)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>	<b>345,705</b>	<b>-</b>	<b>345,705</b>	<b>-</b>	<b>(3,410)</b>	<b>5,054</b>	<b>-</b>	<b>(1,248)</b>	<b>346,101</b>
<b>Non-current liabilities</b>	<b>(10,030)</b>	<b>-</b>	<b>(10,030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,248</b>	<b>(8,782)</b>
Provisions	-	-	-	-	-	-	-	-	-
Financial liabilities:	-	-	-	-	-	-	-	-	-
Trade and other payables	(102)	-	(102)	-	-	(5,120)	-	-	(5,222)
<b>Total non-current liabilities</b>	<b>(10,132)</b>	<b>-</b>	<b>(10,132)</b>	<b>-</b>	<b>-</b>	<b>(5,120)</b>	<b>-</b>	<b>1,248</b>	<b>(14,004)</b>
<b>Assets less liabilities</b>	<b>335,573</b>	<b>-</b>	<b>335,573</b>	<b>-</b>	<b>(3,410)</b>	<b>(66)</b>	<b>-</b>	<b>-</b>	<b>332,097</b>

24. RESTATED BALANCE SHEET FOR THE YEAR ENDED 31 MARCH 2009 cont

	Per UK GAAP Accounts 2008/09	UK GAAP adjustments	Restated UKGAAP 2008/09	IFRS 5 Non- current assets held for sale	IAS 19 Employee Benefits	IAS 17 Leases	IAS 16 Property, Plant and Equipment	IAS 37 Provisions	IFRS Balance Sheet 2008/09
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Taxpayers Equity</b>									
<b>Opening General Fund at 1 April 2008</b>	186,608	-	186,608	-	(3,194)	-	(2,047)	-	181,367
Fund Drawn down	826,076	-	826,076	-	-	-	-	-	826,076
Movement in General Fund (Creditor)/Debtor	(363)	-	(363)	-	-	-	-	-	(363)
Non-cash charges – cost of capital	10,856	-	10,856	-	-	-	-	-	10,856
Transfers between reserves	242	-	242	-	-	-	69	-	311
Net Operating cost for the year	(799,699)	-	(799,699)	-	(216)	(66)	-	-	(799,981)
<b>Closing General Fund at 31 March 2009</b>	<b>223,720</b>	<b>-</b>	<b>223,720</b>	<b>-</b>	<b>(3,410)</b>	<b>(66)</b>	<b>(1,978)</b>	<b>-</b>	<b>218,266</b>
<b>Opening Revaluation Reserve at 1 April 2008</b>	<b>103,729</b>	<b>-</b>	<b>103,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,047</b>	<b>-</b>	<b>105,776</b>
Net gain/(loss) on revaluation/indexation of property, plant and equipment	(6,592)	-	(6,592)	-	-	-	-	-	(6,592)
Transfers between reserves	(242)	-	(242)	-	-	-	(69)	-	(311)
<b>Closing Revaluation Reserve at 31 March 2009</b>	<b>96,895</b>	<b>-</b>	<b>96,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,978</b>	<b>-</b>	<b>98,873</b>
<b>Opening Donated Asset Reserve at 1 April 2008</b>	<b>15,274</b>	<b>-</b>	<b>15,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,274</b>
Net gain/(loss) on revaluation/indexation of property, plant and equipment	195	-	195	-	-	-	-	-	195
Receipt of donated assets	300	-	300	-	-	-	-	-	300
Receipt of reserves to the operating cost statement	(811)	-	(811)	-	-	-	-	-	(811)
<b>Closing Donated Asset Reserve at 31 March 2009</b>	<b>14,958</b>	<b>-</b>	<b>14,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,958</b>
<b>Total Taxpayers equity</b>	<b>335,573</b>	<b>-</b>	<b>335,573</b>	<b>-</b>	<b>(3,410)</b>	<b>(66)</b>	<b>-</b>	<b>-</b>	<b>332,097</b>

24. RESTATED BALANCE SHEET FOR THE YEAR ENDED 31 MARCH 2008

	Per UK GAAP Accounts 2007/08	UK GAAP adjustments	Restated UK GAAP 2007/08	IFRS 5 Non- current assets held for sale	IAS 19 Employee Benefits	IAS 17 Leases	IAS16 Property, Plant and Equipment	IAS37 Provisions	IFRS Balance Sheet 2007/08
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Non-current assets:</b>									
Property, Plant and equipment	404,165	-	404,165	(387)	-	5,530	-	-	409,308
Intangible assets	21	-	21	-	-	-	-	-	21
Financial assets:	-	-	-	-	-	-	-	-	-
Available for sale financial assets	-	1	1	-	-	-	-	-	1
Trade and other receivables	11,175	-	11,175	-	-	-	-	-	11,175
<b>Total non-current assets</b>	<b>415,361</b>	<b>1</b>	<b>415,362</b>	<b>(387)</b>	-	<b>5,530</b>	-	-	<b>420,505</b>
<b>Current Assets:</b>									
Inventories	5,040	-	5,040	-	-	-	-	-	5,040
Trade and other receivables	26,947	-	26,947	-	-	-	-	-	26,947
Cash and Cash equivalent	1,346	-	1,346	-	-	-	-	-	1,346
Available for sale financial assets	1	(1)	-	-	-	-	-	-	-
Derivatives financial assets	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>33,334</b>	<b>(1)</b>	<b>33,333</b>	-	-	-	-	-	<b>33,333</b>
Non-current assets classified as held for sale	-	-	-	387	-	-	-	-	387
<b>Total assets</b>	<b>448,695</b>	-	<b>448,695</b>	-	-	<b>5,530</b>	-	-	<b>454,225</b>
<b>Current liabilities:</b>									
Provisions	-	-	-	-	-	-	-	(3,139)	(3,139)
Trade and other payables	(126,239)	-	(126,239)	(3,194)	(244)	(244)	-	-	(129,677)
Derivatives financial liabilities	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>(126,239)</b>	-	<b>(126,239)</b>	<b>(3,194)</b>	<b>(244)</b>	<b>(244)</b>	-	<b>(3,139)</b>	<b>(132,816)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>	<b>322,456</b>	-	<b>322,456</b>	-	(3,194)	5,286	-	(3,139)	<b>321,409</b>
<b>Non-current liabilities</b>									
Provisions	(16,845)	-	(16,845)	-	-	-	-	3,139	(13,706)
Financial liabilities:	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	(5,286)	(5,286)	(5,286)	-	-	(5,286)
<b>Total non-current liabilities</b>	<b>(16,845)</b>	-	<b>(16,845)</b>	-	<b>(5,286)</b>	<b>(5,286)</b>	-	<b>3,139</b>	<b>(18,992)</b>
<b>Assets less liabilities</b>	<b>305,611</b>	-	<b>305,611</b>	<b>(3,194)</b>	-	-	-	-	<b>302,417</b>
<b>Taxpayers Equity</b>									
General Fund	186,608	-	186,608	-	(3,194)	-	(2,047)	-	181,367
Revaluation Reserve	103,729	-	103,729	-	-	-	2,047	-	105,776
Donated Asset Reserve	15,274	-	15,274	-	-	-	-	-	15,274
<b>Total Taxpayers equity</b>	<b>305,611</b>	-	<b>305,611</b>	<b>(3,194)</b>	-	-	-	-	<b>302,417</b>

## 25. FINANCIAL INSTRUMENTS

### a) FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial Assets

		Loans and Receivables	Assets at Fair Value through profit and loss	Available for sale	Total
	Note	£000	£000	£000	£000
<b>At 31 MARCH 2010</b>					
<b>Assets per balance sheet</b>					
Investments	14	-	-	1	1
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	13	19,219	-	-	19,219
Cash and cash equivalents	15	3,304	-	-	3,304
		<b>22,523</b>	<b>-</b>	<b>1</b>	<b>22,524</b>
<b>At 31 March 2009</b>					
Investments	14	-	-	1	1
Derivative financial instruments	28	-	-	-	-
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	13	21,180	-	-	21,180
Cash and cash equivalents		1,709	-	-	1,709
		<b>22,889</b>	<b>-</b>	<b>1</b>	<b>22,890</b>

#### Financial Liabilities

At 31 March 2010		Liabilities at Fair Value through profit and loss	Other financial liabilities	Total
		£000	£000	£000
<b>Liabilities per balance sheet</b>				
Finance lease liabilities	16	-	7,235	7,235
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	-	81,337	81,337
		<b>-</b>	<b>88,572</b>	<b>88,572</b>
<b>At 31 March 2009</b>				
<b>Liabilities per balance sheet</b>				
Finance lease liabilities	16	-	5,286	5,286
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	16	-	87,692	87,692
		<b>-</b>	<b>92,978</b>	<b>92,978</b>

## 25. FINANCIAL INSTRUMENTS, cont,

### b) FINANCIAL RISK FACTORS

#### Exposure to Risk

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

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

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

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

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

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

#### 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 rating of '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 risks.

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
<b>At 31 MARCH 2010</b>				
Finance lease liabilities	828	-	3,351	12,537
Trade and other payables excluding statutory liabilities	81,337	-	-	-
<b>Total</b>	<b>82,165</b>	<b>-</b>	<b>3,351</b>	<b>12,537</b>
<b>At 31 MARCH 2009</b>				
Finance lease liabilities	616	-	2,520	7,713
Trade and other payables excluding statutory liabilities	87,692	102	-	-
<b>Total</b>	<b>88,308</b>	<b>102</b>	<b>2,520</b>	<b>7,713</b>

### 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 charges 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.

### c) **FAIR VALUE ESTIMATION**

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

## 26. RELATED PARTY TRANSACTIONS

During the year NHS Grampian made payments of £0.6 million to the Alford Medical Group, in which Dr John Reid, a non-executive member (appointed 1 September 2008), 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 £0.026 million was owed by NHS Grampian to the Alford Medical Group at 31 March 2010.

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund which is a Scottish Registered Charity. The total NHS Grampian Endowment Fund balance at 31 March 2010 was £32.077 million. During the year payments totalling £2.18 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 £0.56 million from NHS Grampian mainly relating to income from research activities.

## 27. SEGMENT INFORMATION

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

	<b>Aberdeen City CHP £000</b>	<b>Abdnshire CHP £000</b>	<b>Moray CHP £000</b>	<b>Acute Sector £000</b>	<b>Corporate &amp; Others £000</b>	<b>2010 £000</b>
<b>Net operating cost</b>	83,802	108,942	50,281	259,786	335,208	<b>838,019</b>

### **PRIOR YEAR**

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

	<b>Aberdeen City CHP £000</b>	<b>Abdnshire CHP £000</b>	<b>Moray CHP £000</b>	<b>Acute Sector £000</b>	<b>Corporate &amp; Others £000</b>	<b>2009 £000</b>
<b>Net operating cost</b>	79,998	95,998	39,999	231,994	351,992	<b>799,981</b>

## 28. THIRD PARTY ASSETS

In certain circumstances, usually during periods 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 Grampians accounts and are subject to an annual independent external audit. The amounts held by NHS Grampian on behalf of patients are as follows :-

	<b>2009</b>	<b>Gross</b>	<b>Gross</b>	<b>2010</b>
	<b>£000</b>	<b>Inflows</b>	<b>Outflows</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Monetary amounts including bank balances	707	363	(541)	529





## 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