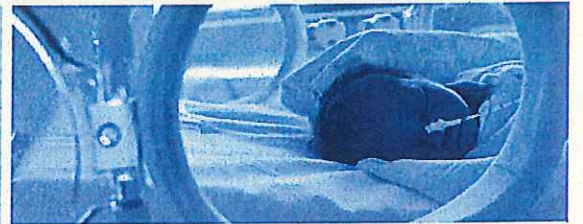


Grampian Health Board Annual Accounts 2012-2013



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

ANNUAL ACCOUNTS 2012-2013

Contents

Page

1	Directors' Report
6	Operating and Financial Review
11	Remuneration Report
15	Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board
16	Statement of Health Board Members' Responsibilities in Respect of the Accounts
17	Governance Statement
21	Independent Auditor's Report
23	Statement Of Comprehensive Net Expenditure
24	Summary of Resource Outturn
25	Balance Sheet
26	Cash Flow Statement
27	Statement Of Changes in Taxpayers Equity
28	Notes to the Accounts
72	Direction by the Scottish Ministers

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS

DIRECTORS' REPORT

Naming Convention

NHS Grampian is the common name of Grampian Health Board.

Principal activities and review of the business and future developments

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

Date of Issue

The Accountable Officer authorised these financial statements for issue on 25 June 2013.

Going Concern

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

Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 72 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts.

Appointment of Auditors

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

Role of the Board

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

NHS Boards form a local health system, with single governing boards responsible for improving the health of their local populations and delivering the healthcare they require.

The role of the Board is to:

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

Board Membership

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

partnership approach, which is essential to improving health and healthcare. The following served as members of the Board during the year:

Chairman

Councillor Bill Howatson

Vice Chairman

Mr Charles Muir

Non-Executive Members

Mr David Anderson

Councillor Lee Bell (to 30 April 2012)

Mr Raymond Bisset

Councillor Barney Crockett (from 1 June 2012)

Councillor Katharine Dean (to 30 April 2012)

Mrs Sharon Duncan

Professor Mike Greaves (from 1 October 2012)

Mrs Jennifer Greener

Professor Neva Haites (to 30 September 2012)

Mrs Linda Juroszek

Mrs Christine Lester

Councillor Anne MacKay (from 1 June 2012)

Mr Terry Mackie

Professor Valerie Maehle

Councillor Anne Robertson (from 1 June 2012)

Mr Michael Scott

Executive Members

Mr Richard Carey Chief Executive

Dr Roelf Dijkhuizen Medical Director

Mr Alan Gray Director of Finance

Sir Lewis Ritchie Director of Public Health

Mrs Elinor Smith Director of Nursing and Quality

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

Board Members' Interests

Details of any interests of Board Members in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 24. The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public by contacting the Legal Advisor on 01224 558496. The Board Members declared in advance any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement.

Pension Liabilities

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

Remuneration for Non Audit Work

Deloitte LLP, the Board's external auditor, received no fees for non audit related work during 2012/13. PricewaterhouseCoopers who provide an Internal Audit Service to NHS Grampian were paid £28,703 before VAT for non-audit work.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on NHS Grampian to publish information on expenditure, economic sustainability and efficiency as soon as is reasonably practicable after the end of each financial year. The information required to comply with these disclosure requirements is not an integral part of the annual accounts and is displayed on the NHS Grampian website at http://www.nhsgrampian.org/nhsgrampian/gra_display_simple_index.jsp?pContentID=8388&p_applic=CCC&p_service=C.ontent.show&

Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target.

In 2012/13, the average credit taken was 4 days (2011/12: 5 days).

In 2012/13, 99% of invoices by value (2011/12 95%) and 97% of invoices by volume (2011/12 94%) were paid within 30 days.

In 2012/13, 95% of invoices by value (2011/12 91%) and 90% of invoices by volume (2011/12 86%) were paid within 10 days.

Corporate Governance

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

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

The Board operates within an assurance framework which delegates specific governance functions to five key sub committees 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 (to April 2012), Mrs Jennifer Greener (from September 2012), Professor Neva Haites (to September 2012), Councillor Anne MacKay (from September 2012), Mr Terry Mackie, Professor Valerie Maehle, Mr Michael Scott and a public representative.

Staff Governance Committee

The Staff Governance Committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level. The Committee also oversees the implementation of the five staff governance standards. 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, Mrs Sharon Duncan, Mrs Jennifer Greener (from September 2012), Councillor Bill Howatson, Mrs Linda Juroszek (to August 2012) and Councillor Anne Robertson (from September 2012). There is Executive Director and Staff Side representation at each meeting.

Audit Committee

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

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

Membership: Mr David Anderson (Chair), Mrs Christine Lester, Mr Terry Mackie, Mr Charles Muir and Mrs Sharon Duncan.

Performance Governance Committee

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

Membership : Councillor Bill Howatson (Chair), Mr Raymond Bisset (from September 2012), Mrs Sharon Duncan, Professor Valerie Maehle, Mr Charles Muir and Mr Michael Scott (from September 2012).

Patient Focus and Public Involvement Committee

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

Membership: Mr Raymond Bisset (Chair to August 2012), Mrs Christine Lester (Chair from September 2012), Councillor Bill Howatson, Mrs Jennifer Greener, Mrs Linda Juroszek and Councillor Anne Robertson (from September 2012). There is also Executive Director and extensive staff, clinical, management and public representation attendance at meetings

The Board has the following additional sub committees which support the strategic and operational management of the organisation:

Service Strategy and Redesign Committee (superceded by the Strategy and Modernisation Committee on 1 February 2013)

Chairperson: Professor Neva Haites (to September 2012).

The Service Strategy and Redesign Committee led the development of service strategy for NHS Grampian and oversee ongoing system and service redesign. This Committee was superceded by the *Strategy and Modernisation Committee on 1 February 2013*)

Strategy and Modernisation Committee

Chairperson: Mr Terry Mackie (from February 2013)

The role of the Strategy and Modernisation Committee is to oversee and support the development of strategy for NHS Grampian and oversee innovation and modernisation in relation to services, facilities, digital health and the organisation as a whole.

eHealth Committee

Chairperson: Councillor Katharine Dean (to April 2012), Councillor Bill Howatson (from May 2012).

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 2013 valued at £40.2 million (31 March 2012 valued at £34.9 million).

Clinical Ethics Committee

Chairperson: Dr Ruth Stephenson, Consultant Anaesthetist.

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

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.

Spiritual Care Committee

Chairperson: Councillor Bill Howatson.

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

Other Committees

North of Scotland Research Ethics Committees

The North of Scotland Research Ethics Committees provide independent advice on the extent to which proposals for research studies comply with recognised ethical standards. These committees are not formal sub committees of the Board but operate on a regional basis serving the North of Scotland including Grampian, Highland and Islands, Orkney and Shetland. 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. There are two Committees which meet approximately once a month. The Committees comprise lay members, expert members, nurses, other clinicians, pharmacists and research scientists.

Committee 1 Chair: Professor Siladitya Bhattacharya, Consultant in Obstetrics and Gynaecology (to June 2012).
Professor Helen Galley, Chair of Anaesthesia and Intensive Care (from July 2012).

Committee 2 Chair: Dr Alex Johnstone, Non-Medical Research Specialist

Remuneration Committee

The Board also has a Remuneration Committee details of which are included within the remuneration report on pages 11 to 14 of these annual accounts.

Disclosure of Information to Auditor

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

Human Resources

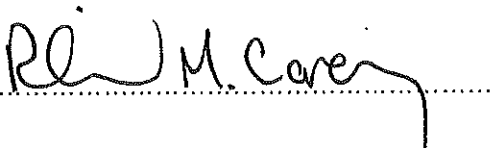
NHS Grampian provides employees with information on matters of concern to them as employees through a range of communication methods including the local intranet, Team Brief, global e-mails and the Upfront Newspaper. The organisation consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process. NHS Grampian has invested in full time partnership representatives who have a role to represent the interests of all staff. 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 23.



Mr Richard Carey
Chief Executive
Grampian Health Board

25 June 2013

OPERATING AND FINANCIAL REVIEW

Principal Activities and Review of the Year

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

During 2012/13 the Health and Care Framework was developed into the Healthfit 2020 approach which aims to provide a consistent and coordinated approach to the delivery of the Board's 2020 vision. The Healthfit 2020 approach seeks to support services and departments to develop their own way forward consistent with the overall NHS Grampian vision. The approach also brings together the main redesign programmes related to facilities, workforce, digital/eHealth, Managed Clinical Network development and public/staff engagement.

2012/13 has also seen the development of integration as a major theme for change. NHS Grampian has been proactive in promoting the integration of health and social care and anticipating the implications of the legislation which will establish the Health and Social Care Partnerships in the future. The Board has also actively supported primary and acute care integration and integration around communities by bringing together clusters of GP practices which will develop as the focus for practical integration close to service delivery. The clusters will be the local focus for integration of all care services provided by the NHS, local authorities and the third sector. The clusters will also support individuals and families within localities to maintain health and wellbeing to ensure that health services are used efficiently and effectively. Primary and acute care integration is agreed as a focus for effort – clusters will also be a focus for this integration with acute specialties being aligned to clusters with the aim of improving pathways, providing feedback on referrals and supporting the effective management of the whole system.

The Board remained in financial balance in 2012/13 and further information on its financial performance is included in the section on Financial Performance and Position on page 7.

Performance against other key targets in 2012/13 was measured using key performance indicators set by the Scottish Government Health Directorate to hold Boards to account. Information on the Board's performance in relation to these indicators is detailed in the section on Performance against Key Non Financial Targets on pages 8 and 9.

Counter Fraud Services

During the year, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for Grampian indicates that the level of income from prescription, dental and ophthalmic charges in the year to 31 December 2012 could have potentially increased by £0.4 million (2011: £0.2 million) due to incorrect claims.

Infrastructure and Non Current Assets

The Board delivered a programme of infrastructure investment totalling £64 million during 2012/13. Major achievements during the year include :

- The Emergency Care Centre (ECC) on the Foresterhill campus was brought into operation, as planned, during December 2012.
- Also at Foresterhill the first phase of the new Radiotherapy Centre was completed with the second phase now underway on site and due to be completed during the summer of 2013.
- In Elgin work continues on a programme to upgrade and reconfigure Dr Gray's Hospital – this work supports the re-organisation of patient flows in line with the long term direction for the hospital.
- Work continued on the Aberdeen Health and Community Care Village which is on target to complete in November 2013.
- Agreement with the Scottish Government Health and Social Care Directorates on a programme to deliver an 88% reduction in high and significant risk backlog maintenance in clinical areas over the next five years. The programme will be resourced through prioritisation of available capital and revenue funding supplemented by the proceeds of planned asset disposals.

- Investment, during the year of £11.6m in replacement of essential plant, IT and medical equipment, partly enabled by additional funding of £5.3 million allocated for this purpose by the Scottish Government Health and Social Care Directorates.

NHS Grampian carries out a revaluation of land annually and operates a rolling programme of building revaluation to ensure all properties are formally revalued over a five year period. Interim valuations of properties, on the basis of indices, are made annually for the portion of the estate not included in that year's formal revaluation programme. The revaluation of properties as at 31 March 2013 resulted in a net reduction in the carrying value of these assets of £6.746 million.

Financial Performance and Position

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

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

Actual Targets

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 successfully achieved the financial targets for the year reporting an outturn against these set limits as follows:

	Limit as set by SGHSCD £000	Actual Outturn £000	Variance Under £000
Core Revenue Resource Limit	800,449	800,368	81
Non Core Revenue Resource Limit	36,700	36,700	-
Core Capital Resource Limit	54,350	54,350	-
Cash Requirement	904,000	903,619	381

Memorandum for In Year Out-turn	£000
Brought forward surplus from previous financial year	(72)
Outturn against in year Revenue Resource Limit	(9)
Net Saving against Revenue Resource Limit	(81)

An in-year surplus of £9,000 was recorded for the year against a target of breakeven resulting in a small over-achievement against target. Total efficiency savings of £12.006 million were achieved against a requirement of £12.006 million. Recurring savings amounted to £10.431 million and non-recurring of £1.575 million.

Staff Governance

Following achievement of the Grampian People Strategy in 2012, a new vision has been developed in partnership, sponsored by the Staff Governance Committee and supported by the Grampian Area Partnership Forum (GAPF). Workforce 2020 has been developed in support of the overall vision of the Board.

Major achievements during the year include the continued implementation, in partnership, of the Safe Affordable Workforce Project which has delivered a managed reduction in staffing levels across NHS Grampian without adverse impact on patient care. The Safe Affordable Workforce project is now being integrated into the Workforce Planning process. During the year we also implemented in partnership a further voluntary severance scheme and a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need. The HR Service Centre continues to manage and deliver the payroll service for NHS Shetland and NHS Orkney, together with its responsibilities to NHS Grampian. The Service Level Agreement for NHS Orkney was revised and extended to provide assistance across the full range of Workforce services. Further work was carried out on the challenging Health and Safety agenda which saw relationships with the Health and Safety Executive strengthened further. Following successful completion of the 2010/11 HEAT target regarding progress to implementing the Knowledge and Skills Framework across NHS Grampian, progress has been less good in 2012/13 and the Staff Governance Committee has asked for continued improvement. In addition, the short term attendance management pilot has been extended more widely across the organisation through a partnership approach and has delivered a short term absence rate which has been consistently below the national average and has contributed to the achievement of the overall annual sickness absence rate of 4.41%, which is one of the lowest in Scotland (4.2% in 2011/12).

Performance against Key Non Financial Targets

Key Performance Indicators

NHS Grampian has a performance framework through which a culture of continuous performance improvement is supported and delivery of our Healthfit 2020 is progressed. Our Vision, *proudly working together to improve our health*, is supported by a set of strategic themes and objectives with key measures and targets against which progress is monitored. Measures and targets include the key performance indicators used by the Scottish Government Health and Social Care Directorates to hold Boards to account. These are known as the HEAT measures and standards 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.

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

Health Improvement

- NHS Grampian has performed well in the delivery of national lifestyle targets in 2012/13. Full year data is not yet available but indications are that targets have been delivered in full and in many cases exceeded. This includes over 6,000 interventions to address alcohol consumption, encouraging a healthy weight in children through the child healthy weight intervention programme and undertaking over 1,500 cardiovascular health checks. The target for successful smoking cessation has been greatly exceeded with over 7,500 successful quits since April 2011.
- During 2012/13 there has been continued improvement in dental services. At March 2013 the target of 80% of 3-5 year olds registered with a dentist was delivered on a Grampian basis for the first time. There is no waiting list for children for an NHS dentist and performance against other indicators of oral health is good.

Efficiency and Governance

- As detailed elsewhere in this report the Board met its three key financial targets in 2012/13.
- There has been continued focus on increasing the efficiency and quality of service provision through modernisation and redesign. In Scottish terms Grampian is performing well against key planned care measures such as same day surgery and Did Not Attend (DNA) rates for outpatients. Pre-operative length of stay has been falling but remains above the Scottish average. The Unscheduled Care Programme aims to transform all unscheduled care activity to deliver Healthfit 2020. The new Emergency Care Centre opened in late 2012 and introduced new ways of working which have contributed to shorter lengths of hospital stay. The continued roll out of Know Who To Turn To is providing information to people about how and where their unscheduled care needs can be met. Attendance rates at Accident and Emergency Departments in Grampian are lower than the Scottish average and during 2012/13 began to reduce compared to prior years. In common with other Boards NHS Grampian had difficulty in maintaining the national target of 98% people treated or discharged within 4 hours at A&E.
- During 2012/13 there has been considerable engagement with primary care. Working towards greater integration, practices are now aligned to clusters and provided with a suite of management information on their utilisation of secondary care services to promote and encourage review.

Access to Services

- For most of the 2012/13 year NHS Grampian delivered the 90% within 18 week referral to treatment access time standard. On a small number of occasions performance dipped below 90%. A comprehensive Access Policy has been developed and was approved by the NHS Board in October 2012. Focus during 2012/13 has also been on delivering the 12 week Treatment Time Guarantee. Funding for additional theatres and staff has been identified to ensure full delivery on a sustainable basis. A small number of breaches have been reported but patients were being fully engaged in decisions about where and when their care was provided.
- Sustainable delivery of the 95% target for the proportion of urgent cancer referrals treated within 62 days of referral has been a challenge. The target was delivered in the first and third quarters of 2012/13 but performance dipped in the second quarter. The maximum 31 days 'decision to treat' to treatment is being met.
- There was early delivery of the 3 week access target for drug and alcohol treatment services and this has been sustained.
- The end of March 2013 target of no-one waiting longer than 26 weeks for Child and Adolescent Mental Health Services was also delivered.

Treatment Appropriate to Individuals

- The Board receives regular reports on all aspects of Healthcare Associated Infection, and reducing infection as well as ensuring cleanliness and good clinical practice are high priorities for NHS Grampian. The number of staphylococcus aureus bacteraemia has continued to fall with some in year fluctuation. The rate of Clostridium Difficile infections in the over 65s has fallen ahead of plan.
- A key tenet of NHS Grampian's Healthfit 2020 is around ensuring care is provided in the right place by the right person at the right time. One of the measures of this is the number of delayed discharges in hospital. The national target is that no-one should be delayed more than 28 days by April 2013. Over the winter period the number of delayed discharges in Grampian grew but at March 2013 the position is improving.

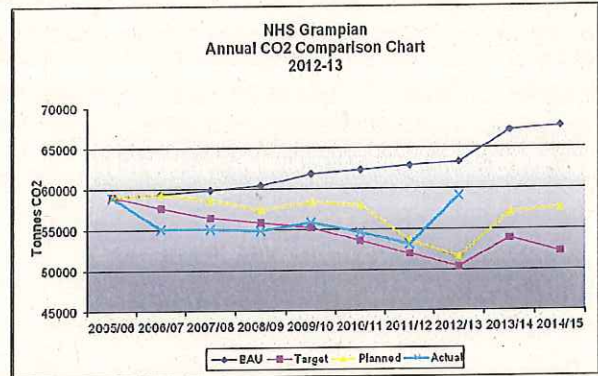
Sustainability and Environmental Reporting

Overview

The Scottish Government have set all NHS Boards a target of a 3% year on year reduction in fossil fuel CO₂ emissions across the whole asset base. NHS Grampian has incorporated these new targets in a Property & Asset Management Plan 2013 – 2022 which was approved by the Board on 2 April 2013.

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

The NHS Grampian Annual CO₂ Comparison Chart on the right highlights the position up to and including 2012/13. Actual CO₂ emissions are above target but this is due to the Energy Centre and Emergency Care Centre coming on line a year ahead of plans. The new Energy Centre is not running at full efficiency until all planned buildings come on line etc.



Key Environmental Performance Improvement delivery areas:

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

Specific Core Environment Performance Improvements in progress are:

1. Operating and optimising performance of the new Energy Centre at the Foresterhill Campus completed in February 2012. The design incorporates Combined Heat and Power, Biomass steam plant and conventional energy sources. Across a full year the revised design is expected to contribute estimated savings of 9,570 tonnes of CO₂ per annum, ensuring a reduction of a 15% on the first full year use in 2012/13. There are however ongoing issues with getting the plant to run at full efficiency as full electric and heat load of design is not yet fully available.
2. Opening of the new Emergency Care Centre at the Foresterhill Campus, which has an indicative energy performance of 46 GJ/100m³.
3. Working with the CEF Scotland (Carbon Energy Fund) programme to identify and fund major energy efficiency schemes at three sites. Foresterhill Campus to ensure full efficiency of Energy Centre, Royal Cornhill Hospital which may complement or supercede the grant funding mentioned in item below and also at Dr Gray's Hospital.
4. Developing and lodging an application for grant funding to install a Biomass Facility at Royal Cornhill Hospital with estimated savings of 2772 tonnes of CO₂ per annum. Further future applications for other smaller sites may be lodged where the Board-wide property and asset management strategy identifies a need and as applicable national grant schemes become available.
5. Assessing and developing solutions across all sites to meet the Scottish Government's Zero Waste Plan, as expected to become law and regulated from January 2014. Banning maceration and food waste to drain is expected to be the first challenging target area.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2013

Remuneration of: Executive Members	Remuneration (bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pensionable age (bands of £2,500)	Total accrued pension at 31 March 2013 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2012 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2013 £000	Real increase in CETV in year	Benefits in kind	
Chief Executive	170-175	0	0-2.5	55-60	1,130	1,194	64	2.6	
-Mr Richard Carey									
Medical Director	175-180	0	0-2.5	40-45	884	945	61	0.0	
-Dr Roelf Dijkhuizen									
Director of Finance	130-135	0	0-2.5	0-5	13	35	22	2.7	
- Mr Alan Gray									
Director of Public Health	125-130	0	N/A	N/A	N/A	N/A	N/A	N/A	
- Sir Lewis Ritchie *									
Director of Nursing & Quality	115-120	0	0-2.5	30-35	716	766	50	2.4	
- Mrs Elinor Smith									
Non Executive Members									
The Chairman : Councillor Bill Howatson ****									
Mr David Anderson	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Lee Bell (to 30/4/12)	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Raymond Bisset	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Barney Crockett (from 1/6/12)	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Katharine Dean (to 30/4/12)	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Sharon Duncan ***	60-65	N/A	0-2.5	25-30	456	486	30	0	
Professor Mike Greaves (from 1/10/12)	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Jennifer Greener	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Professor Neva Haines (to 30/9/12)	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Linda Juroszek **	70-75	N/A	0-2.5	5-10	199	221	22	0	
Mrs Christine Lester	5-10	N/A	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	N/A	
Professor Valerie Maehle ****	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Anne Mackay (from 1/6/12)	5-10	N/A	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	N/A	
Councillor Anne Robertson (from 1/6/12)	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Michael Scott ****	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

* Sir Lewis Ritchie is an employee of the University of Aberdeen, School of Medicine and Dentistry and is seconded to NHS Grampian as Director of Public Health on a part time basis. The remuneration disclosed above represents the direct salary and employer pension contributions reimbursed to the University under the terms of the secondment agreement. Sir Lewis was a member of the University of Aberdeen pension scheme (Universities superannuation scheme) until October 2012. The cumulative pension benefit calculations are not available to NHS Grampian.

** The remuneration disclosure for Mrs Linda Juroszek includes total earnings both in her full time role as a pharmacist with NHS Grampian and for her additional duties as an NHS Board member.

*** Mrs Sharon Duncan worked in a full time capacity as Employee Director of NHS Grampian

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

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2012

Remuneration of:	Salary (bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2011 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2012 £000	Real increase in CETV in year £000	Benefits in kind £000
Executive Members								
Chief Executive	170-175	0	0-2.5	55-60	990	1,130	140	2.2
-Mr Richard Carey ****								
Medical Director	175-180	0	2.5-5.0	40-45	767	884	117	0
-Dr Roelf Dijkhuizen *****								
Director of Finance	55-60	0	0-2.5	20-25	558	N/A	N/A	1.3
- Mr Alan Gall (Retired 31/8/11)								
Director of Finance	75-80	0	0-2.5	0-5	0	0	0	1.7
- Mr Alan Gray (from 23/8/11)								
Director of Nursing & Quality	115-120	0	0-2.5	30-35	666	716	50	2.3
- Mrs Elinor Smith								
Director of Public Health	125-130	0	(2.5)-0	50-55	1,217	N/A	N/A	0
- Dr Lesley Wilkie (Retired 18/12/11)								
Director of Public Health	15-20	0	N/A	N/A	N/A	N/A	N/A	0
- Sir Lewis Ritchie (from 1/2/12) *								
Non Executive Members								
The Chairman								
Dr David Cameron (until 30/11/11)	20-25	N/A	N/A	N/A	0	0	0	N/A
Councillor Bill Howatson (Chair from 1/12/11) ****	25-30	N/A	N/A	N/A	0	0	0	N/A
Councillor Katharine Dean	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Neva Haltes	5-10	N/A	N/A	N/A	0	0	0	N/A
Professor Valerie Maehle ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Charles Muir ***	15-20	N/A	N/A	N/A	0	0	0	N/A
Mr Michael Scott	5-10	N/A	N/A	N/A	0	0	0	N/A
Councillor Lee Bell	5-10	N/A	N/A	N/A	0	0	0	N/A
Dr John Reid (to 30/4/11)	0-5	N/A	N/A	N/A	0	0	0	N/A
Mr Terry Mackie	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr David Anderson	5-10	N/A	N/A	N/A	0	0	0	N/A
Mr Raymond Bisset	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Christine Lester	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Jennifer Greener	5-10	N/A	N/A	N/A	0	0	0	N/A
Mrs Linda Juroszek (from 1/5/11)	5-10	N/A	N/A	N/A	0	0	0	N/A
Employee Director								
Mr Gordon Stephen (Retired 5/3/12) **	110-115	N/A	0-2.5	50-55	1,061	N/A	N/A	0
Employee Director								
Mrs Sharon Duncan (from 5/3/12) **	0-5	N/A	0-2.5	20-25	409	459	50	0
Total								7.5

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

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

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

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

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

REMUNERATION REPORT (continued)

Remuneration of Executive and Non-Executive Members

The remuneration of Executive and Senior Management Cohort and Non-Executive Members is determined by the Scottish Government under Ministerial Direction and in accordance with HDL(2006)23, HDL(2006)59, HDL(2007)11, CEL(2007)4, and amended by CEL(2007)22, CEL(2010)6 and CEL(2011), PCS(ESM) 2012/1 and PCS (ESM) 2013/2.

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

Business Interests

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

Remuneration Committee

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

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

Membership: Mr Michael Scott (Chair), Mr David Anderson, Mrs Sharon Duncan, Mrs Jennifer Greener (from September 2012), Councillor Bill Howatson, Mrs Linda Juroszek (to August 2012) and Councillor Anne Robertson (from September 2012).

Board Members Contracts of Employment

The Executive Board members of NHS Grampian are employed on permanent contracts of employment with the exception of Sir Lewis Ritchie who is an employee of the University of Aberdeen, School of Medicine and Dentistry and is seconded to NHS Grampian as Director of Public Health on a part time basis. 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.

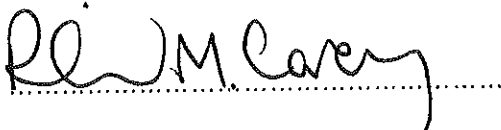
Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of NHS Grampian in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members is undertaken by the Chief Executive 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 Cabinet Secretary for Health and Wellbeing.

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

Relationship between the highest paid Director and the workforce median remuneration

The following table compares the banded remuneration of the highest paid Director against the median salary for the workforce in each year. The remuneration figures used for this calculation represent the annualised whole time equivalent salary figures excluding employers pension contributions. The figures disclosed earlier in this remuneration report represent actual earnings for the year inclusive of pension costs.

2012-13		2011-12	
Highest Earning Director's Total Remuneration (£000s)	155-160	Highest Earning Director's Total Remuneration (£000s)	160-165
Median Total Remuneration (£)	27,626	Median Total Remuneration (£)	27,639
Ratio	5.70	Ratio	5.87



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

25 June 2013

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

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

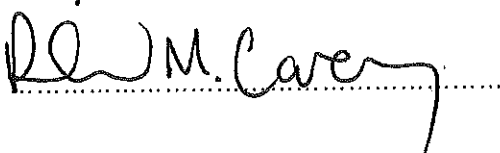
This designation carries with it, responsibility for:

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

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

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

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



Mr Richard Carey
Chief Executive
Grampian Health Board

25 June 2013

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 2013 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

.....
Bill Howatson

**Councillor Bill Howatson
Chairman
Grampian Health Board**

.....
Alan Gray

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

25 June 2013

GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

- A Board which meets regularly to consider and approve the strategic direction for the organisation (the Board comprises the senior management of the organisation and Non-Executive members). The Board activity is open to public scrutiny with minutes of meetings publicly available.
- Single system governance and risk management arrangements which include clear supporting lines of accountability, robust prioritisation of risks and allocation of responsibility for mitigating action to named senior officers with regular consideration of progress against key strategic risks by the relevant Governance committee and the Executive Team.
- Scheme of delegation, standing orders and standing financial instructions are approved by the Board and are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements.
- The consideration by the Board of periodic reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance and audit committees concerning any significant matters on governance, risk and internal controls.
- 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.
- Regular review of performance against key national targets, including achievement of waiting time guarantees, by the Performance Governance Committee.
- 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.
- Allocation of responsibilities for the implementation of improvement actions to lead directors and sector management across our clinical and non clinical activities.
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making.
- An effective patient feedback service and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches.

Purpose of the System of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM)¹ and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

Risk and Control Framework

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

- The risk management plan sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action.
- The effectiveness of the Board's Clinical Governance and Risk Management standards has been subject to independent assessment by internal audit and peer review where appropriate by NHS Health Improvement Scotland.
- We have implemented an assurance framework which is used by each of the core governance committees to identify and assess risks that fall within their remit.
- Regular reviews of the corporate risk register by the Performance Governance Committee and Executive Team and an annual review by the Board.
- Risk Registers are in place at the Strategic and Corporate level and have been established for each sector which set out the steps being taken to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects.
- Regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level.
- Risks associated with information that we are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements.
- We have an IT web enabled system to facilitate the electronic recording, assessment and mitigation reporting of risks in line with our risk management plan.
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2013 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and the overall system of internal control:

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

- In response to feedback from Board members a model of tiered intelligence is being developed to support the Board's quality agenda and improve the format and content of Board and Board Committee papers. The Board have also supported a review of the flows of information and data from strategic to operational level the outcomes of which will be used to further develop existing reporting and monitoring arrangements at both Board and management level.
- Enhanced reporting arrangements for monitoring performance against waiting time guarantees;
- A risk register review tool to assist risk owners in monitoring of their local risk management plans and
- NHS Board executive and non executive members completed a board diagnostic self assessment. The results of the self assessment were considered by the Board members at facilitated seminar in January 2013. The outcomes of the seminar resulted in a revision to the Board's vision and values and strategic themes, all of which have been used to inform the personal objectives of Executive Board members for the coming year.

Best Value

I can confirm that NHS Grampian is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the Scottish Public Finance Manual. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that it is part of everyday business and integral to the Board's decision making in all key areas.

In addition, the Board continues to seek opportunities to enhance the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes, together with recommendations for improvement;
- Management letters and other reports issued by external audit; and
- Transparent assumptions regarding the timing of investment to deliver a significant reduction in high risk backlog maintenance in clinical areas agreed by the Scottish Government Health and Social Care Directorates as part of our Local Delivery Plan. The agreement allows a carry forward in capital funding through our Capital Resource Limit of £3.4 million from 2012/13 to 2013/14 to enable this investment.

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

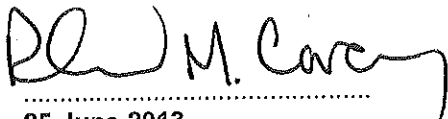
- Annual statements of assurance from each of the core governance committees of the Board and the eHealth Committee with respect to Information Governance,
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year,

- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee, and
- Consideration and approval of the annual accounts, including the Governance Statement by the Board. During the year, minutes of the meetings of the core governance committees were provided to all Board members.

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

Disclosures

On the basis of the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Grampian during the year ended 31 March 2013, I am not aware of any significant control weaknesses or failure to achieve the standards set out in the guidance on governance, risk management and control.


.....
25 June 2013

Mr Richard Carey
Chief Executive
Grampian Health Board

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

We have audited the financial statements of Grampian Health Board for the year ended 31 March 2013 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, Summary of Resource Outturn, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

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

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Deloitte LLP

**Deloitte LLP,
Appointed Auditors
Edinburgh, United Kingdom**

25 June 2013

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £000	2012 £000
Clinical Services Costs			
Hospital and Community	4	738,409	707,738
Less: Hospital and Community Income	8	(19,318)	(18,303)
		<u>719,091</u>	<u>689,435</u>
Family Health Services	5	231,042	229,176
Less: Family Health Service Income	8	(7,047)	(7,002)
		<u>223,995</u>	<u>222,174</u>
Total Clinical Services Costs		<u>943,086</u>	<u>911,609</u>
Administration Costs	6	3,980	4,256
		<u>(3,980)</u>	<u>(4,256)</u>
Other Non-Clinical Services	7	18,784	17,771
Less: Other Operating Income	8	(76,829)	(73,450)
		<u>(58,045)</u>	<u>(55,679)</u>
Net Operating Costs		<u>889,021</u>	<u>860,186</u>
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)			
Net Loss/(gain) on revaluation of Property Plant and Equipment		5,281	(10,487)
Net loss on revaluation of Intangibles		0	701
Other Comprehensive Expenditure		<u>5,281</u>	<u>(9,786)</u>
Total Comprehensive Expenditure		<u>894,302</u>	<u>850,400</u>

**SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2013**

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2013 £000	2013 £000
Net Operating Costs (see below)		889,021
Total Non Core Expenditure		(36,700)
FHS Non Discretionary Allocation		(52,241)
Donated Asset Income		288
Total Core Expenditure		800,368
Core Revenue Resource Limit		<u>800,449</u>
Savings against Core Revenue Resource Limit		<u>81</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to/ (from) Other Bodies	2,495	
Depreciation/Amortisation	22,538	
Annually managed Expenditure – Impairments	10,339	
Annually managed Expenditure – Creation of Provisions	640	
Annually managed Expenditure – Depreciation of Donated Assets	688	
Total Non Core Expenditure		36,700
Non Core Revenue Resource Limit		<u>36,700</u>
Savings against Non Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN	Resource £000	Expenditure £000	Savings/(Excess) £000
Core	800,449	800,368	81
Non Core	36,700	36,700	0
Total	<u>837,149</u>	<u>837,068</u>	<u>81</u>

BALANCE SHEET AS AT 31 MARCH 2013

	Note	2013	2012
		£000	£000
Non-current assets:			
Property, plant and equipment	11	506,085	490,411
Intangible Assets	10	1,623	1,225
Financial assets:			
Financial assets	14	309	28
Trade and other receivables	13	15,282	8,584
Total non-current assets		<u>523,299</u>	<u>500,248</u>
Current assets:			
Inventories	12	3,871	4,485
Financial assets:			
Trade and other receivables	13	31,016	31,037
Cash and cash equivalents	15	247	1,581
Assets classified as held for sale	11c	188	750
Total current assets		<u>35,322</u>	<u>37,853</u>
Total assets		<u>558,621</u>	<u>538,101</u>
Current liabilities			
Provisions	17	(2,120)	(6,044)
Financial liabilities :			
Trade and other payables	16	(87,582)	(84,152)
Total current liabilities		<u>(89,702)</u>	<u>(90,196)</u>
Non-current assets(less) net current liabilities		<u>468,919</u>	<u>447,905</u>
Non-current liabilities			
Provisions	17	(18,746)	(8,137)
Financial liabilities:			
Trade and other payables	16	(6,429)	(6,677)
Total non-current liabilities		<u>(25,175)</u>	<u>(14,814)</u>
Total assets less liabilities		<u>443,744</u>	<u>433,091</u>
Taxpayers' Equity			
General Fund		376,142	356,913
Revaluation reserve		67,602	76,178
Total taxpayers' equity		<u>443,744</u>	<u>433,091</u>

Adopted by the Board on 25 June 2013


 Mr Richard Carey
 Chief Executive


 Mr Alan Gray
 Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £000	2012 £000
Cash flows from operating activities			
Net Operating cost		(889,021)	(860,186)
Adjustments for non-cash transactions	3	33,074	30,113
Add back : interest payable recognised in net operating cost	3	715	715
Decrease/(Increase) in trade and other receivables	18	(6,677)	(596)
Increase/(Decrease) in inventories	18	614	(905)
(Increase) in trade and other payables	18	(3,079)	(1,913)
Increase in provisions	18	6,685	2,245
Net cash outflow from operating activities		(857,689)	(830,527)
Cash flows from investing activities			
Purchase of property, plant and equipment		(46,962)	(66,924)
Purchase of intangible assets		(1,200)	(728)
Investment Additions		(281)	(27)
Proceeds of disposal of property, plant and equipment		1,635	35
Proceeds of disposal of intangible assets		478	0
Net cash outflow from investing activities		(46,330)	(67,644)
Cash flows from financing activities			
Funding		904,955	899,070
Movement in general fund working capital		(1,334)	1,059
Cash drawn down		903,621	900,129
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(221)	(184)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(715)	(715)
Net Financing		902,685	899,230
Net (Decrease)/Increase in cash and cash equivalents in the year		(1,334)	1,059
Cash and cash equivalents at the beginning of the year		1,581	522
Cash and cash equivalents at the end of the year		247	1,581
Reconciliation of net cash flow to movement in net debt/cash			
(Decrease)/Increase in cash in year		(1,334)	1,059
Net cash at 1 April	15	1,581	522
Net cash at 31 March	15	247	1,581

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2012		356,913	76,178	433,091
Changes in taxpayers' equity for 2012/13				
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	(5,281)	(5,281)
Impairment of property, plant and equipment	11	0	(10,339)	(10,339)
Revaluation & impairments taken to operating costs	3	0	10,339	10,339
Transfers between reserves		3,295	(3,295)	0
Net operating cost for the year		(889,021)	0	(889,021)
Total recognised income and expense for 2012/13		(885,726)	(8,576)	(894,302)
Funding:				
Drawn down		903,621	0	903,621
Movement in General Fund (Creditor)/Debtor		1,334	0	1,334
Balance at 31 March 2013		376,142	67,602	443,744

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

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

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FRM) 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 24.

3. Prior Year Adjustments

There have been no changes to accounting policies during the year and therefore no adjustments to prior year figures are required to be reflected in the accounts.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

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

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

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

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

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

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

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

7.3 Depreciation

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

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

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

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

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Software:

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

Software licences:

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

Carbon Emissions (Intangible Assets):

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

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

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

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

Websites:

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

8.2 Measurement

Valuation:

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

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

Revaluation and impairment:

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

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

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

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

8.3 Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

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

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

	Useful Life
Information technology	2-5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

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

The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

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

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

12. Leasing Finance leases

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

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

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

Leases of land and buildings

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

13. PFI/HUB/NPD Schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or the Non Profit Distributing Model (NPD) are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FREM.

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

14. Impairment of non-financial assets

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

15. General Fund Receivables and Payables

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

16. 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.

17. 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.

18. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency. A more recent actuarial valuation was carried out in March 2008, however the publication of this valuation was placed on hold by UK Treasury pending the outcome of public sector pension reforms.

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

19. Clinical and Medical Negligence Costs

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

NHS Grampian provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' at 50% of the claim and those in 'category 1' at nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

20. Related Party Transactions

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

21. 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.

22. 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.

23. 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.

24. 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.

25. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available for sale financial assets

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

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

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

(c) Available for sale financial assets

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

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

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

Financial Liabilities

Classification

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

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

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

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

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

(b) Other financial liabilities

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

26. 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.

27. Cash and cash equivalents

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

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 26 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement, estimation and uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies.

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

Equal Pay Claims: NHS Grampian has 112 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 2013. 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	2013 Total £000	2012 Total £000
STAFF COSTS								
Salaries and wages	645	215	400,430	0	0	(688)	400,602	398,701
Social security costs	80	14	32,763	0	0	0	32,857	32,584
NHS pension scheme employer's costs	79	7	45,268	0	0	0	45,354	45,326
Other employer's pension costs	0	0	0	0	0	0	0	2
Inward secondees	0	0	0	343	0	0	343	274
Agency staff	0	0	0	0	4,477	0	4,477	3,805
	804	236	478,461	343	4,477	(688)	483,633	480,692
Compensation for loss of office or early retirement	0	0	416	0	0	0	416	2,078
Total	804	236	478,877	343	4,477	(688)	484,049	482,770

	2013	2012
	£000	£000
	428	392

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

2(a) STAFF NUMBERS AND COSTS cont

**STAFF NUMBERS
(EMPLOYEES BY WHOLE TIME EQUIVALENT)**

	2013 ANNUAL MEAN	2012 ANNUAL MEAN
Administration Costs	38.2	42.8
Hospital and Community Services	8,205.3	8,111.7
Non Clinical Services	3,424.6	3,412.0
Inward Secondees	4.2	4.5
Agency Staff	46.3	38.0
Outward Secondees	(9.7)	(9.4)
Board Total Average Staff	11,708.9	11,599.6
Staff with a Disability	<u>71.0</u>	<u>71.0</u>
	10.0	11.3

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

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:

	2013 No.	2012 No.
Clinicians		
£50,000 to £60,000	268	263
£60,001 to £70,000	147	131
£70,001 to £80,000	82	102
£80,001 to £90,000	69	72
£90,001 to £100,000	65	64
£100,001 to £110,000	75	62
£110,001 to £120,000	59	51
£120,001 to £130,000	50	43
£130,001 to £140,000	35	39
£140,001 to £150,000	25	23
£150,001 to £160,000	25	37
£160,001 to £170,000	11	18
£170,001 to £180,000	6	7
£180,001 to £190,000	8	5
£190,001 to £200,000	6	5
£200,001 and above	2	6
Other		
£50,000 to £60,000	58	66
£60,001 to £70,000	32	30
£70,001 to £80,000	17	18
£80,001 to £90,000	6	8
£90,001 to £100,000	2	1
£100,001 to £110,000	2	3
£110,001 to £120,000	1	0
£120,001 to £130,000	0	1
£130,001 to £140,000	1	0
£140,001 to £150,000	0	1
£150,001 to £160,000	1	2
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

Note:

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

3. OTHER OPERATING COSTS

	Note	2013 £000	2012 £000
Expenditure Not Paid in Cash			
Depreciation	11a	22,214	21,638
Amortisation	10	324	615
Depreciation on Donated Assets	11b	688	678
Impairments on property, plant and equipment charged to SOCNE	11a	10,339	6,367
Funding Of Donated assets	9	(288)	(169)
(Profit)/Loss on disposal of property, plant and equipment		(203)	397
Other non cash costs		0	587
Total Expenditure Not Paid in Cash		33,074	30,113
Interest Payable			
Other Finance lease charges allocated in the year		715	715
		715	715
Statutory Audit			
External auditor's remuneration and expenses		265	299

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

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2013 £000	2012 £000
BY PROVIDER		
Treatment in Board area of NHS Scotland Patients	680,193	655,490
Other NHS Scotland Bodies	11,356	11,469
Health Bodies outside Scotland	1,503	1,366
Primary Care Bodies	46	47
Private Sector	6,331	2,509
Community Care		
Resource Transfer	32,789	31,500
Contributions to Voluntary Bodies and Charities	4,568	4,135
Total NHSScotland Patients	736,786	706,516
Treatment of UK residents based outside Scotland	1,623	1,222
Total Hospital & Community Health Service	738,409	707,738

5. FAMILY HEALTH SERVICES EXPENDITURE

	Unified Budget	Non Discretionary	Total	Total
	2013	2013	2013	2012
	£000	£000	£000	£000
Primary Medical Services	82,748	0	82,748	81,494
Pharmaceutical Services	89,306	16,435	105,741	109,012
General Dental Services	713	32,583	33,296	29,326
General Ophthalmic Services	85	9,172	9,257	9,344
Total	172,852	58,190	231,042	229,176

6. ADMINISTRATION COSTS

	Note	2013	2012
		£000	£000
Board Members' Remuneration	2(a)	1,040	1,123
Administration of Board Meetings and Committees		170	198
Corporate Governance and Statutory Reporting		584	596
Health Planning, Commissioning and Performance Reporting		1,040	1,105
Treasury Management and Financial Planning		426	450
Public Relations		720	784
Total Administration Costs		3,980	4,256

7. OTHER NON-CLINICAL SERVICES EXPENDITURE

	2013	2012
	£000	£000
Compensation Payments – Clinical *	8,099	3,111
Compensation Payments – Other *	157	462
Pension Enhancement & Redundancy	481	2,084
Patients' Travel Attending Hospitals	350	331
Patients' Travel Highlands and Islands scheme	21	23
Health Promotion	3,876	4,008
Public Health	2,778	2,495
Public Health Medicine Trainees	152	138
Emergency Planning	171	137
Loss on Disposal of Property, Plant & Equipment	0	397
Other	2,699	4,585
Total Other Non-Clinical Services	18,784	17,771

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

8. OPERATING INCOME	2013	2012
	£000	£000
HCH Income		
NHS Scotland Bodies		
Boards	15,475	15,076
NHS Non-Scottish Bodies	1,623	1,221
Non NHS		
Private Patients	684	732
Compensation Income	1,536	1,274
Total HCH Income	19,318	18,303
FHS Income		
Unified	1,098	1,240
Non Discretionary		
General Dental Services	5,949	5,762
Total FHS Income	7,047	7,002
Other Operating Income		
NHS Scotland Bodies	48,080	46,762
Contributions in respect of Clinical/Medical negligence claims *	7,390	3,234
Profit on disposal of Property, Plant and Equipment	203	0
Donated Asset Additions	288	169
Other **	20,868	23,285
Total Other Operating Income	76,829	73,450
Total Income	103,194	98,755
Of the above, the amount derived from NHS bodies is	63,555	61,838

* 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.

9. ANALYSIS OF CAPITAL EXPENDITURE	Note	2013 £000	2012 £000
EXPENDITURE			
Acquisition of Intangible Fixed Assets	10	1,200	728
Acquisition of Property, Plant and Equipment	11	54,778	66,273
Donated Asset Additions	11b	288	169
Investments *		282	26
Gross Capital Expenditure		<u>56,548</u>	<u>67,196</u>
INCOME			
Net book value of disposal of Intangible Assets	10	478	0
Net book value of disposal of Property, plant and equipment	11a	682	432
Value of disposal of Non-Current Assets held for sale	11c	750	0
Donated Asset Income		288	169
Capital Income		<u>2,198</u>	<u>601</u>
Net Capital Expenditure		<u>54,350</u>	<u>66,595</u>
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		<u>54,350</u>	<u>66,595</u>
Savings against Capital Resource Limit		<u>0</u>	<u>0</u>

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

10. INTANGIBLE ASSETS	Software Licences	Information Technology-Software	EC Carbon Emissions*	Websites	Total
	£000	£000	£000	£000	£000
Cost or Valuation :					
As at 1 April 2012	385	1,148	478	5	2,016
Additions	501	699			1,200
Disposals	0	0	(478)	0	(478)
At 31 March 2013	886	1,847	0	5	2,738
Amortisation					
At 1 April 2012	74	712	0	5	791
Provided during the year	137	187	0	0	324
At 31 March 2013	211	899	0	5	1,115
Net Book Value at 1 April 2012	311	436	478	0	1,225
Net Book Value at 31 March 2013	675	948	0	0	1,623

* NHS Grampian received permission to withdraw from the European Carbon Emission Scheme (EUETS) and participate in the new UK Small Emitter Scheme with effect from 1 January 2013. The new scheme will continue to focus solely on carbon emissions from the Foresterhill Site and NHS Grampian will continue to receive an allocation of emission target allowances. Unlike the EUETS however where allowances were allocated prospectively and retained as an intangible asset, future allowances will be allocated retrospectively and the all costs associated with carbon emissions will be charged straight to operating costs each year.

10. INTANGIBLE ASSETS, cont – Prior Year	Software Licences £000	Information Technology-software £000	EC Carbon Emissions £000	Websites £000	Total £000
Cost or Valuation :					
As at 1 April 2011	54	1,023	907	5	1,989
Additions	331	125	272	0	728
Revaluation	0	0	(701)	0	(701)
At 31 March 2012	385	1,148	478	5	2,016
Amortisation					
At 1 April 2011	18	153	0	5	176
Provided during the year	56	559	0	0	615
At 31 March 2012	74	712	0	5	791
Net Book Value at 1 April 2011	36	870	907	0	1,813
Net Book Value at 31 March 2012	311	436	478	0	1,225

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture and Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation At 1 April 2012	29,846	323,752	6,278	2,774	101,737	23,787	3,644	86,897	578,715
Additions	317	22,173	11	310	16,487	2,632	1,473	11,375	54,778
Completions	0	85,214	0	0	328	392	169	(86,103)	0
Transfers (to)/from non-current assets held for sale	(188)	0	0	0	0	0	0	0	(188)
Revaluation	83	(13,076)	(300)	0	0	0	0	0	(13,293)
Impairment Charge	(39)	(10,301)	(4)	0	0	0	0	0	(10,344)
Disposals	(33)	(242)		(257)	(7,680)	(2,088)	(396)		(10,696)
At 31 March 2013	29,986	407,520	5,985	2,827	110,872	24,723	4,990	12,169	598,972
Depreciation At 1 April 2012	0	17,015	328	2,261	61,020	17,104	3,161	0	100,889
Provided during the year	0	11,098	209	148	8,080	2,551	128	0	22,214
Revaluation	0	(7,866)	(256)	0	0	0	0	0	(8,122)
Impairment Charges	0	(5)	0	0	0	0	0	0	(5)
Disposals	0	(27)	0	(253)	(7,251)	(2,088)	(395)	0	(10,014)
At 31 March 2013	0	20,215	281	2,156	61,849	17,567	2,894	0	104,962
Net Book Value at 1 April 2012	29,846	306,737	5,950	513	40,717	6,683	483	86,897	477,826
Net Book Value at 31 March 2013	29,986	387,305	5,704	671	49,023	7,156	1,996	12,169	494,010
Open Market Value of Land in Land and Dwellings Included Above	5,610								
Asset financing: Owned	29,986	381,533	5,704	671	49,023	7,156	1,996	12,169	488,238
Finance leased	0	5,772	0	0	0	0	0	0	5,772
Net Book Value at 31 March 2013	29,986	387,305	5,704	671	49,023	7,156	1,996	12,169	494,010

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR

	Land (including buildings) under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation At 1 April 2011	26,620	299,635	6,125	3,065	100,858	23,879	5,323	52,538	518,043
Additions	3,542	8,038	11	44	3,326	628	87	50,597	66,273
Completions	0	15,674	0	0	564	0	0	(16,238)	0
Transfers (to)/from non-current assets held for sale	(245)	(220)	0	0	0	0	0	0	(465)
Revaluation	348	6,736	146	0	0	0	0	0	7,230
Impairment Charge	(419)	(5,663)	(4)	0	0	0	0	0	(6,086)
Disposals	0	(448)	0	(335)	(3,011)	(720)	(1,766)	0	(6,280)
At 31 March 2012	29,846	323,752	6,278	2,774	101,737	23,787	3,644	86,897	578,715
Depreciation									
At 1 April 2011	0	9,801	198	2,441	55,998	14,707	4,819	0	87,964
Provided during the year	0	10,053	201	155	8,007	3,114	108	0	21,638
Revaluation	0	(2,736)	(71)	0	0	0	0	0	(2,807)
Impairment Charge	0	(58)	0	0	0	0	0	0	(58)
Disposals		(45)		(335)	(2,985)	(717)	(1,766)	0	(5,848)
At 31 March 2012	0	17,015	328	2,261	61,020	17,104	3,161	0	100,889
Net Book Value at 1 April 2011	26,620	289,834	5,927	624	44,860	9,172	504	52,538	430,079
Net Book Value at 31 March 2012	29,846	306,737	5,950	513	40,717	6,683	483	86,897	477,826
Open Market Value of Land in Land & Dwellings Included above	5,550								
Asset financing:									
Owned	29,846	300,965	5,950	513	40,717	6,683	483	86,897	472,054
Finance leased	0	5,772	0	0	0	0	0	0	5,772
Net Book Value at 31 March 2012	29,846	306,737	5,950	513	40,717	6,683	483	86,897	477,826

Cost or valuation	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
At 1 April 2012	12,010	192	4,317	90	27	16,636
Additions	0	0	232	56	0	288
Revaluation	(219)	0	0	0	0	(219)
At 31 March 2013	11,791	192	4,549	146	27	16,705
Depreciation At 1 April 2012	560	103	3,289	75	24	4,051
Provided during the year	380	16	280	10	2	688
Revaluation	(109)	0	0	0	0	(109)
At 31 March 2013	831	119	3,569	85	26	4,630
Net Book Value at 1 April 2012	11,450	89	1,028	15	3	12,585
Net Book Value at 31 March 2013	10,960	73	980	61	1	12,075
Asset financing: Owned	10,960	73	980	61	1	12,075
Net Book Value at 31 March 2013	10,960	73	980	61	1	12,075

11. (b) Property, Plant and Equipment – Prior Year	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation At 1 April 2011	12,058	171	4,289	78	30	16,626
Additions	0	56	101	12	0	169
Revaluation	304	0	0	0	0	304
Impairment Charge	(352)	0	0	0	0	(352)
Disposals	0	(35)	(73)	0	(3)	(111)
At 31 March 2012	12,010	192	4,317	90	27	16,636
Depreciation At 1 April 2011	347	129	3,070	72	25	3,643
Provided during the year	372	9	292	3	2	678
Revaluation	(146)	0	0	0	0	(146)
Impairment Charge	(13)	0	0	0	0	(13)
Disposals	0	(35)	(73)	0	(3)	(111)
At 31 March 2012	560	103	3,289	75	24	4,051
Net Book Value at 1 April 2011	11,711	42	1,219	6	5	12,983
Net Book Value at 31 March 2012	11,450	89	1,028	15	3	12,585
Asset financing: Owned	11,450	89	1,028	15	3	12,585
Net Book Value at 31 March 2012	11,450	89	1,028	15	3	12,585

11.(c) ASSETS CLASSIFIED AS HELD FOR SALE

The following assets relating to Maud Hospital have been presented as held for sale following the approval for sale by the Grampian NHS Board and the acceptance of an unconditional offer for sale. The completion date of sale is expected to be December 2013.

	Note	Property, Plant & Equipment £000
At 1 April 2012		750
Transfer (to)/from property, plant and equipment	11a	188
Disposals for non-current assets held for sale		(750)
As at 31 March 2013		188
At 1 April 2011		257
Transfer (to)/from property, plant and equipment	11a	465
Gain or Losses recognised on remeasurement of non-current assets held for sale		28
As at 31 March 2012		750

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES	Note	2013 £000	2012 £000
Net book value of tangible fixed assets at 31 March			
Purchased	11a	494,010	477,826
Donated	11b	12,075	12,585
Total		506,085	490,411

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

Net book value of surplus land valued at open market value at 31 March		5,500	5,550
Net book value of surplus buildings valued at open market value at 31 March		0	0
Tangible Fixed assets include assets held under Finance Leases		5,772	5,772
Total depreciation charged in respect of assets held under Finance Leases		391	391

Land and 20% of Buildings were revalued by the Valuation Office Agency (VOA) as at 31 March 2013 as part of a rolling annual programme on the basis of fair value (market value or depreciated replacement cost where appropriate). Other tangible fixed assets were revalued on the basis of indices at 31 March 2013.

The revaluation of Land and Buildings resulted in a net decrease of £6.746 million in the carrying value of these assets (2011/12: increase of £4.120 million) of which £5.419 million was charged to the revaluation reserve (2011/12 credit of £10.487 million) and £1.327 million charged to the Statement of Comprehensive Net Expenditure (2011/12 £6.367 million).

12. INVENTORIES

	2013 £000	2012 £000
Raw Materials and Consumables	3,871	4,485

13. TRADE AND OTHER RECEIVABLES

	2013 £000	2012 £000
Receivables due within one year:		
NHS Scotland Boards	5,697	3,774
NHS Non-Scottish Bodies	804	673
VAT recoverable	1,208	980
Prepayments	3,873	5,719
Accrued income	2,646	2,562
Other Receivables	11,551	10,900
Reimbursement of Provisions	1,432	1,681
Other Public Sector Bodies	3,805	4,748
Total Receivables due within one year	31,016	31,037
Receivables due after more than one year		
Prepayments	0	177
Accrued Income	1,955	1,683
Reimbursement of Provisions	13,327	6,724
Total receivables due after more than one year	15,282	8,584
TOTAL RECEIVABLES	46,298	39,621
The total receivables figure above includes a provision for bad debt of:	342	247
WGA Classification		
NHS Scotland	5,697	3,774
Central Government Bodies	2,449	1,105
Whole of Government Bodies	2,565	4,623
Balances with NHS Bodies in England and Wales	804	673
Balances with bodies external to Government	34,783	29,446
Total	46,298	39,621

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

	2013 £000	2012 £000
As at 1 April	247	126
Provision for debtors impairment	97	206
Receivables written off during the year as uncollectible	(2)	(85)
As at 31 March 2013	342	247

As of 31 March 2013, receivables with a carrying value of £0.342 million (£0.247 million 2011/12) were impaired and provided for. The ageing of these receivables is as follows:

	2013 £000	2012 £000
Over 6 months past due	342	247

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 2013, receivables of carrying value of £2.413 million (2012: £2.467 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2013 £000	2012 £000
Up to 3 months past due	1,057	1,522
3 to 6 months past due	357	646
Over 6 months past due	1,025	299
	<u>2,439</u>	<u>2,467</u>

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

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

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

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

	2013 £000	2012 £000
Existing customers with no defaults in the past	2,439	2,467

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.

	2013 £000	2012 £000
The carrying amount of receivables are denominated Pounds Sterling	46,298	39,621

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 £15.282 million (£8.584 million 2011/12).

14. FINANCIAL ASSETS

	2013 £000	2012 £000
Other	309	28
TOTAL	<u>309</u>	<u>28</u>
At 1 April	28	1
Additions	281	27
At 31 March	<u>309</u>	<u>28</u>
Current	309	28
Non-current	309	28
At 31 March	<u>309</u>	<u>28</u>

Financial assets comprise an investment of £1k in equity share capital with TMRI Ltd and Hub North of Scotland Ltd both unlisted investments denominated in UK pounds and two separate non equity loans of £27k and £281k respectively made to Hub North of Scotland Ltd, both repayable in full with interest after 25 years.

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

15. CASH AND CASH EQUIVALENTS

	At 01/04/12 £000	Cash Flow £000	At 31/03/13 £000
Government Banking Service account balance	1,551	(1,334)	217
Cash at bank and in hand	<u>30</u>	<u>0</u>	<u>30</u>
Total cash and cash equivalents– balance sheet	1,581	(1,334)	247
Total cash – cash flow statement	<u>1,581</u>	<u>(1,334)</u>	<u>247</u>

Government Banking Service account balance	490	1,061	1,551
Cash at bank and in hand	<u>32</u>	<u>(2)</u>	<u>30</u>
Total cash and cash equivalents – balance sheet	522	1,059	1,581
Total cash – cash flow statement	<u>522</u>	<u>1,059</u>	<u>1,581</u>

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

	2013 £000	2012 £000
Payables due within one year		
NHS Scotland Boards	3,399	5,480
NHS Non-Scottish Bodies	568	531
General Fund Payable	247	1,581
FHS Practitioners	26,527	26,414
Trade Creditors	220	5,132
Accruals	30,609	19,148
Untaken Annual Leave Accrual	3,055	2,731
Deferred income	1,335	1,480
Net obligations under Finance Leases	255	228
Income Tax & Social Security	9,978	10,180
Superannuation	6,141	6,187
Other Public Sector Bodies	2,098	1,033
Other Payables	3,150	4,027
Total Payables due within one year	87,582	84,152
Payables due after more than one year		
	2013 £000	2012 £000
NHS Scotland		
Net obligations under Finance Leases due within 2 years	291	255
Net obligations under Finance Leases due after 2 years but within 5 years	1,117	1,010
Net obligations under Finance Leases due after 5 years	5,021	5,412
Total Payables due after more than one year	6,429	6,677
Total Payables	94,011	90,829
WGA Classification		
NHS Scotland	3,399	5,480
Central Government Bodies	16,211	16,621
Whole of Government Bodies	2,006	782
Balances with NHS Bodies in England and Wales	568	531
Balances with bodies external to Government	71,827	67,415
Total	94,011	90,829

	2013 £000	2012 £000
Borrowings included above comprise Finance Leases :	6,684	6,905
The carrying amount and fair value of the non-current borrowings : Finance Leases	6,429	6,677
The carrying amount of payables are denominated in Pounds Sterling	94,011	90,829

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

17. PROVISIONS

	Pensions and similar obligations £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
As at 1 April 2012	5,340	8,438	403	14,181
Arising during the year	292	7,909		8,201
Utilised during the year	(407)	(390)	(403)	(1,200)
Reversed Unutilised	(61)	(255)	0	(316)
As at 31 March 2013	5,164	15,702	0	20,866

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
Payable in one year	331	1,789	0	2,120
Payable between 2-5 years	1,377	13,913	0	15,290
Payable between 6-10 years	1,541	0	0	1,541
Thereafter	1,915	0	0	1,915
At 31 March 2013	5,164	15,702	0	20,866

PRIOR YEAR

	Pensions and similar obligations £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
At 1 April 2011	4,009	7,148	779	11,936
Arising during the year	1,796	2,827	0	4,623
Utilised during the year	(432)	(1,045)	0	(1,477)
Reversed unutilised	(33)	(492)	(376)	(901)
At 31 March 2012	5,340	8,438	403	14,181

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
Payable in one year	417	5,224	403	6,044
Payable between 2– 5 years	4,923	3,214	0	8,137
Payable between 6-10 years	0	0	0	0
Thereafter	0	0	0	0
At 31 March 2012	5,340	8,438	403	14,181

17. PROVISIONS cont

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.35% in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

Clinical and Medical

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

EC Carbon Emissions

NHS Grampian was required by statute to participate in the introductory phase of the European Carbon Emission Scheme which ended on 31 December 2012. Under the scheme, which applied only to carbon emissions from the Foresterhill Site, NHS Grampian were allocated emission target allowances or units which were recorded as an intangible asset. The provision of £0.403m carried forward from 2011/12 represented the monetary cost of independently audited emissions accrued over a 4 year period and was fully utilised to cover the cost of these emissions when the phase ended on 31 December 2012.

NHS Grampian received permission to withdraw from the European Carbon Emission Scheme (EUETS) and participate in the new UK Small Emitter Scheme with effect from 1 January 2013. The new scheme will continue to focus solely on carbon emissions from the Foresterhill Site and NHS Grampian will continue to receive an allocation of emission target allowances. Unlike the EUETS however where allowances were allocated prospectively and retained as an intangible asset, future allowances will be allocated retrospectively and the all costs associated with carbon emissions will be charged directly to operating costs during the course of each year.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Note	Opening Balances £000	Closing Balances £000	Net Movement 2013 £000	Net Movement 2012 £000
INVENTORIES					
Balance Sheet	12	4,485	3,871		
Net Decrease/(Increase)				614	(905)
TRADE AND OTHER RECEIVABLES					
Due within one year	13	31,037	31,016		
Due after more than one year	13	8,584	15,282		
		39,621	46,298		
Net Increase				(6,677)	(596)
TRADE AND OTHER PAYABLES					
Due within one year	16	84,152	87,582		
Due after more than one year	16	6,677	6,429		
Less: Property, Plant & Equipment (Capital) included in above		(1,124)	(8,940)		
Less: General Fund Creditor included in above	16	(1,581)	(247)		
Less: Lease and PFI Creditors included in above	16	(6,905)	(6,684)		
		81,219	78,140		
Net Decrease				(3,079)	(1,913)
PROVISIONS					
Balance Sheet	17	14,181	20,866		
Net Increase				6,685	2,245
NET MOVEMENT (Decrease)/Increase				(2,457)	(1,169)

19. CONTINGENT LIABILITIES AND ASSETS

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

Nature	2013 £000	2012 £000
Clinical and medical compensation payments	1,516	1,128
Employer's liability	0	9
TOTAL CONTINGENT LIABILITIES	1,516	1,137
CONTINGENT ASSETS		
Clinical and medical compensation payments	992	775
Employer's liability	0	4
TOTAL CONTINGENT ASSETS	992	779

Clinical, Medical and employers liability compensation claims

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

Equal Pay Claims

NHS Grampian has 112 claims outstanding under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

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

The current position and recent developments are summarised below.

- Comparators have still not been identified, with the exception of a small number of cases. Work is still ongoing by both claimants and respondents in this regard. Until comparators are identified it is not possible to identify the term which is said to breach the equality clause.
- The period over which back pay for any established breach would have to be calculated is the period between dissolution of their employing Trust and 30 September 2004. For NHS Grampian this means that the period of the claim is limited to 6 months. The limited scope of these claims was upheld by the Employment Appeal Tribunal in the test case of *Foley and Ors v Greater Glasgow Health Board* (August 2012).

19. CONTINGENT LIABILITIES AND ASSETS cont

- The issue of the basis of claims was considered at the Case Management Discussion on 22 January 2013, which centred on Emmanuel v City and Hackney Primary Care Trust. This was a national test case to establish, where claimant and comparators carried out work of equal value, whether there was a genuine material factor defence for different terms relating to pay. The Tribunal decided that the Trust had failed to demonstrate a justification in the respect of different weekend overtime rates, but had done in relation to basic pay.

The NHS Scotland Central Legal Office and Equal Pay Unit are continuing to monitor the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. They continue to advise that it is not possible to provide any financial quantification at this stage because of the lack of information available. On the basis of their view the appropriate accounting treatment is to disclose the claims as a contingent liability that is not possible to quantify.

20. CONTRACTUAL COMMITMENTS

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

Capital Commitments	2013 £000	2012 £000
Contracted		
Fraserburgh Dental Centre	1,105	0
Cullen Medical Centre	100	0
Woodend Theatres	2,252	0
Nuclear medicine HSE recommendations	281	0
Aberdeen Health Village – capital grant to Aberdeen City Council	0	2,195
Radiotherapy equipment programme	6,048	7,772
Dr Grays Hospital	300	2,255
Moray Life sciences Centre – capital grant to Moray College		300
Emergency Care Centre	3,780	28,788
Total	13,866	41,310
Authorised but not contracted		
Phase 2/Eastend 2 ARI backlog maintenance	19,174	0
Wards 25/26 ARI	585	0
ARI Theatres	5,523	0
Woodside Fountain Health Centre Land	0	300
Fraserburgh Dental Centre	0	1,277
Total	25,282	1,577

In addition to the above capital commitments, NHS Grampian completed financial close on the project agreement with HUB North of Scotland Ltd for delivery of the Aberdeen Health and Community Care Village in March 2012 and more recently for joint delivery with NHS Highland of a bundled scheme including Tain Health Centre, Forres Health and Care Centre and Woodside Fountain Health Centre. Under the terms of these agreements NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years from completion, estimated November 2013 for the Aberdeen Health Village and April 2014 for the Forres and Woodside projects. From the actual date of occupation NHS Grampian will incur charges to occupy and for maintenance of the building estimated at £1.8million per annum for the Aberdeen Health and Community Care Village, £0.8m per annum for Forres Health and Care Centre and £0.5 million per annum for the Woodside Fountain Health Centre.

One additional project for the reprovision of Inverurie Health Centre is being progressed under the Scottish Government's hub initiative. Although no formal contractual commitment exists at the balance sheet date the project is well advanced and approval to proceed will be requested during 2013/14.

Financial Guarantees, indemnities and Letter of Comfort

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

21. COMMITMENTS UNDER LEASES

	2013 £000	2012 £000
Operating Leases		
Total future minimum lease payments under operating leases are given in the table below for each of the following periods		
Obligations under operating leases comprise:		
Land		
Not later than one year	230	227
Later than one year, not later than two years	230	227
Later than two years, not later than five years	690	682
Later than five years	2,463	2,738
Buildings		
Not later than one year	472	1,198
Later than one year, not later than two years	472	1,198
Later than two years, not later than five years	1,754	4,673
Later than five years	4,539	14,362
Other		
Not later than one year	347	506
Later than one year, not later than two years	466	0
Later than two years, not later than five years	450	892
Later than five years	0	0
Amounts charged to Operating Costs in the year were:		
Hire of Equipment (including vehicles)	1,653	1,805
Other operating leases	908	798
Total	<u>2,561</u>	<u>2,603</u>
Finance Leases		
Total future minimum lease payments under finance leases are given in the table below for each of the following periods		
Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	925	908
Rentals due between one and two years (inclusive)	925	908
Rentals due between two and five years (inclusive)	2,817	2,776
Rentals due after five years	10,770	11,547
	<u>15,437</u>	<u>16,139</u>
Less interest element	(8,753)	(9,234)
	<u>6,684</u>	<u>6,905</u>

This total net obligation under finance leases is analysed in Note 16 (Payables)

22. PENSION COSTS

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

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

For 2012/13, normal employer contributions of £45.354 million were payable to the SPPA (2011/12 £45.326 million) at the rate of 13.5% (2011/12 13.5%) of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £0.073 million (2011/12 £0.509 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 £5.164 million (2011/12 £5.340 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefit of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on $1/80^{\text{th}}$ 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 10.9% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

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

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

New 2008 arrangements:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of $1/60^{\text{th}}$ 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 10.9% of pensionable earnings. Pensions and allowances are index linked to protect their value.

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

	2013 £000	2012 £000
Pension cost charge for the year	45,354	45,326
Additional Costs arising from early retirement	73	509
Amounts included in the Balance Sheet	5,164	5,340

23. FINANCIAL INSTRUMENTS

a) FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets	Loans and Receivables	Available for Sale	Total
	£000	£000	£000
At 31 March 2013			
Assets per balance sheet			
Investments	0	309	309
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	20,761	0	20,761
Cash and cash equivalents	247	0	247
	<u>21,008</u>	<u>309</u>	<u>21,317</u>
At 31 March 2012			
Investments	0	28	28
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	20,566	0	20,566
Cash and cash equivalents	1,581	0	1,581
	<u>22,147</u>	<u>28</u>	<u>22,175</u>
Financial Liabilities			
At 31 March 2013			
Liabilities per balance sheet		Other financial liabilities	Total
		£000	£000
Finance lease liabilities		6,684	6,684
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		66,474	66,474
		<u>73,158</u>	<u>73,158</u>
At 31 March 2012			
Liabilities per balance sheet		Other financial liabilities	Total
		£000	£000
Finance lease liabilities		6,905	6,905
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		60,597	60,597
		<u>67,502</u>	<u>67,502</u>

23. 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 rate 'A' are accepted.

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

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

b) Liquidity Risk

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

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

	Less than 1 Year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2013				
Finance lease liabilities	925	925	2,817	10,770
Trade and other payables excluding statutory liabilities	66,474	0	0	0
Total	67,399	925	2,817	10,770
At 31 March 2012				
Finance lease liabilities	908	908	2,776	11,547
Trade and other payables excluding statutory liabilities	60,597	0	0	0
Total	61,505	908	2,776	11,547

23. FINANCIAL INSTRUMENTS, cont,

c) Market Risk

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

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

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

ii) **Foreign Currency Risk**

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

iii) **Price Risk**

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

d) **FAIR VALUE ESTIMATION**

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

24. RELATED PARTY TRANSACTIONS

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2013 was £40.202 million (2011/12 £34.90 million). During the year payments totalling £1.315 million (2011/12 £1.568 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 £0.303 million (2011/12 £0.24 million) from NHS Grampian mainly from income for research activities.

Sir Lewis Ritchie, Director of Public Health and an Executive Board member of NHS Grampian also worked clinically as a part time General Medical Practitioner partner within the Peterhead Medical Group until he resigned in September 2012. Sir Lewis gave notice of his intention to resign from the practice immediately following his appointment as Director Of Public Health in February 2012, but agreed to work a period of reasonable notice to allow the practice to recruit a replacement. During the year NHS Grampian made payments of £2.058 million to the Peterhead Medical Group for services provided to NHS Grampian, as part of their General Medical Services contract. A balance of £0.146 million was owed by NHS Grampian to the Peterhead Medical Group at 31 March 2013.

25. SEGMENT INFORMATION

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

	Aberdeen City CHP £000	Aberdeenshire CHP £000	Moray CHP £000	Acute Sector £000	Corporate & Others £000	Mental Health and Learning disabilities £000	2013 Total £000
Net operating cost	65,229	56,015	21,183	338,136	352,538	55,921	889,021

PRIOR YEAR

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

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

26. THIRD PARTY ASSETS

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

	2012 £000	Gross inflows £000	Gross Outflows £000	2013 £000
Monetary amounts including bank balances	498	258	(315)	441

27. EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of departures by cost band
Less than £10,000		2	2
£10,000 - £25,000		1	1
£25,000 - £50,000		2	2
£50,000 - £100,000		3	3
£100,000 - £150,000		1	1
£150,000 - £200,000		0	0
More than £200,000		0	0
Total number exit packages by type	0	9	9
Total resource cost (£000)		416	416

EXIT PACKAGES – PRIOR YEAR



Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of departures by cost band
Less than £10,000	0	6	6
£10,000 - £25,000	0	4	4
£25,000 - £50,000	0	5	5
£50,000 - £100,000	0	6	6
£100,000 - £150,000	0	8	8
£150,000 - £200,000	0	1	1
More than £200,000	0	1	1
Total number exit packages by type	0	31	31
Total resource cost (£000)	0	2,078	2,078



Grampian Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

 
Signed by the authority of the Scottish Ministers

Dated 10/2/2006

