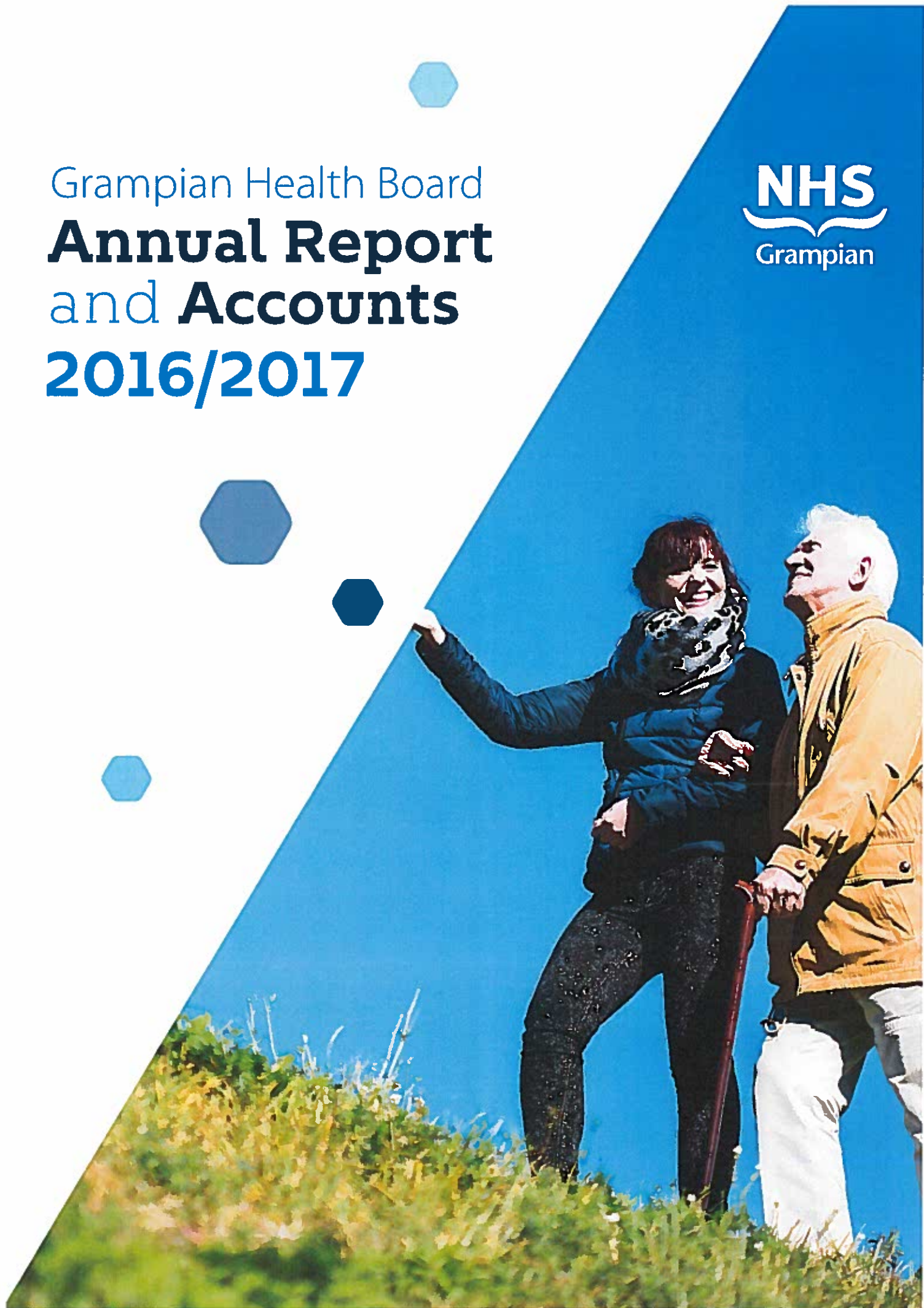


Grampian Health Board
Annual Report
and **Accounts**
2016/2017



GRAMPIAN HEALTH BOARD
(Commonly known as NHS Grampian)

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2017

GRAMPIAN HEALTH BOARD

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ANNUAL REPORT

PERFORMANCE REPORT

a) OVERVIEW

1. Statement from the Chief Executive

I am pleased to report that, once again, Grampian Health Board (the Board) has successfully met its key financial targets for the year.

I would like to thank all our staff and partners for the enormous and effective collective effort that has made this achievement possible while continuing to deliver a high quality, safe and effective clinical service. Indeed there will be no rest from such efforts in the immediate future, and the dedication and professionalism of our staff will continue to be the key enabler to the delivery of the clinical strategy necessary to develop alternative models of care and ensure sustainability of services in the years to come.

During 2016/17 the Board spent c£1.1bn providing the full range of health services to the population of Grampian in the North East of Scotland, as well as providing healthcare support and some specialist clinical services to other NHS Boards within the North of Scotland. Within this overall resource envelope the Board achieved efficiency savings, totalling £26.5m.

Through a process of engagement with our clinical community and other stakeholders including patient forums we refreshed the Clinical Strategy for Grampian which builds on the previous 2020 vision. The clinical strategy provides a blueprint for healthcare in the region for the next ten years and beyond. The strategy was approved by the Board in October 2016 and it places significant emphasis on the role of technology and partnership working in the development of a person centred healthcare system that will deliver a shift in the paradigm of care to ensure that services are provided to patients as close as possible to their own homes.

Health and social care integration remained a key area of focus during the year working closely with our partners to ensure a smooth transition to joint management arrangements for those services delegated to the new Integration Joint Boards (IJB's) effective from 1 April 2016. Through the IJB's we have continued to support investment in Primary, Community and Social Care, in both revenue and capital terms, as these services continue to respond to challenges arising from demographic change, strengthening the multidisciplinary team approach and encouraging greater involvement of patients and the population as a whole to take responsibility for improving their health.

Initiatives to improve patient flow and reduce unscheduled admissions, which include new and expanded clinical roles such as practice pharmacists, triage nurses, advanced clinical practitioners and physician associates in both community and hospital settings, continued to minimise the level of delayed discharges in our hospitals by improving patient flow and ensuring that the level of avoidable unscheduled admissions remained low in Grampian compared to the rest of Scotland throughout the year.

Recruitment remains a challenge for the Board and we have continued to incur very high levels of expenditure on mainly medical and nursing agency staff in order to ensure the safe delivery of services in critical areas. Our priority is to reduce our dependency on agency staffing through the development and retention of our existing staff and we have continued to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps and to support leadership development in our workforce. We are also working to develop even closer links with our education partners to ensure a future recruitment pipeline into key nursing and other clinical roles and with other North of Scotland Boards to redesign services, where we can, on a regional basis to reduce pressure on services where there are national skills shortages.

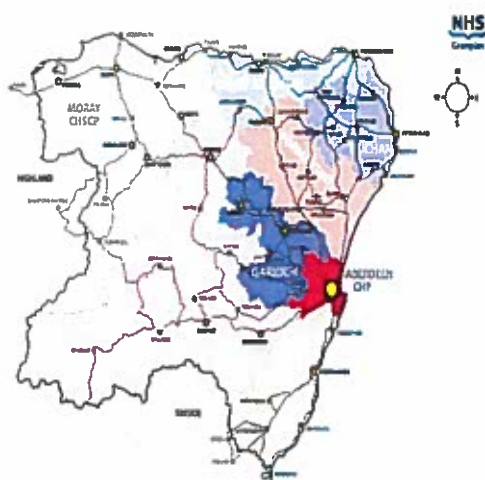
Finally the Board remain fully committed to the partnership working philosophy and have welcomed the support from the Grampian Area Partnership Forum and Professional Clinical Advisory structure whose contributions have been invaluable in helping us develop workable solutions to successfully meet our challenges throughout the year.



Malcolm Wright
Chief Executive

2. Background and Principal Activities

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



14,500 directly employed staff and a range of independent primary care practices (75 General Medical, 132 Pharmacy, 90 Dental and 57 Opticians) provide the full range of primary, community and specialist health services to the half-million people who live in Grampian.

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

In 2015/16 we treated 103,000 individual in patient cases, 47,000 day cases, 52,000 day patients, 444,000 patients attended our specialist out-patient clinics and our accident and emergency departments treated 155,000 people.

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

3. Performance

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

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

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

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

During 2016/17 the Board has successfully met its financial targets while continually striving to deliver a safe and effective service within available resources.

The Board's overall performance should be considered in the context of a continued rise in activity across primary, community, social care and acute services. The Board's clinical strategy recognises the need to redesign services with an enhanced focus on self care, prevention and provision of support in communities across NHS Grampian. Activity increases are due to a number of factors including demographics, population growth and enhanced national screening programmes aimed at early diagnosis and treatment.

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
a) OVERVIEW (cont)

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

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

Measure	Performance
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment by September 2015.	The percentage spending 4 hours or less in an A&E department for the year ending 31 March 2017 was 96.0%, above the Scotland wide rate of 94.1%.
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	The number of bed days used for delayed discharges in Grampian at March 2017 have reduced by 60% since the peak during winter 2014/15, particularly in Aberdeenshire and Aberdeen City. Compared to last year alone, bed days have reduced by 27% and we now use 4063 days for delayed discharges on average per month compared to 5554 in 2015/16, and as many as 8000 per month at the peak in January 2015.
12 week in patient / daycase Treatment Time Guarantee (TTG)	At the end of December 2016 1,501 patients had not been seen within the 12 week target
12 weeks for first outpatient appointment	The number of patients waiting beyond 12 weeks was 9,180 in March 2017.
Cancer Access Times: 31 days from decision to treat (95%) and 62 days from urgent referral with suspicion of cancer (95%)	At December 2016 93.4% of patients were treated within 31 days and 84.8% of patients were referred within 62 days.

In response to the demand and capacity challenges that impact on performance, the Board has implemented a comprehensive surgical transformation programme, cancer pathway improvement actions for each major tumour type and is in the process of implementing a new surgical classification system.

The Board's detailed performance against the full range of performance measures is reported on pages 4-16 below.

4. Risk and Uncertainty

The Board's Local Delivery Plan and Strategic Risk Register set out the key priorities, challenges and risks facing NHS Grampian in future years and how these will be mitigated. The key challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services and a high standard of operational performance, whilst remaining in financial balance and achieving our financial targets.

Key identified risks include the impact of changing demographics with both overall population numbers and the proportion of elderly in the population rising year on year and this trend is forecast to continue.

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

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

GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
a) OVERVIEW (cont)

5. Clinical Strategy

The Grampian Clinical Strategy for 2016-2021 was approved by the Grampian NHS Board in October 2016 following extensive discussion and engagement with staff, partners and the public.

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

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

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

Projected population change – 2012-2037

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

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

GRAMPIAN HEALTH BOARD

b) PERFORMANCE ANALYSIS

1. Financial Performance and Position

Impact of Integration Joint Boards (IJB's) on Health Board Accounts - pre consolidation

The three IJB's in Grampian (Aberdeen City, Aberdeenshire and Moray) were established on 6 February 2016 under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 with full delegation of functions and resources to enable integration of primary and community health and social care services effective from 1 April 2016.

Each IJB is a separate legal organisation and acts as principal in its own right. Accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this in the Health Board's accounts, compared to the prior year, is an increase in expenditure of £505.877 million, an increase in income of £498.280 million and a net liability of £7.6 million. The increase in expenditure and income is included in notes 4 and 8 to the accounts respectively.

The total movement in income and expenditure is further analysed below :-

Partner Organisation	Services	Income	Net
	Devolved to IJB	from IJB	Liability
	2016/17	2016/17	2015/16
	£000's	£000's	£000's
Aberdeen City IJB	222,588	216,943	5,645
Aberdeenshire IJB	199,558	199,009	549
Moray IJB	83,731	82,328	1,403
Total	505,877	498,280	7,597

Consolidated Accounts

The Annual Accounts consolidate the results of Grampian Health Board and Grampian Health Board Endowment Funds using merger accounting in line with IAS 27 and the three IJBs (Aberdeen City, Aberdeenshire and Moray), as a joint venture, in line with IAS 28. The basis for consolidation is explained in more detail in note 1 Accounting Policies on page 47.

Consolidated net assets are summarised below:-

Partner Organisation	Net assets	Net assets
	2016/17	2015/16
	£000's	£000's
Grampian Health Board	365,805	409,387
Grampian Health Board Endowment Funds**	46,012	41,299
Aberdeen City IJB *	5,209	Nil
Aberdeenshire IJB *	5	Nil
Moray IJB *	1,352	Nil
Consolidated Net Assets	418,383	450,686

*The IJB's were consolidated, for the first time, with effect from 1 April 2016 and are therefore not reflected in the prior year's consolidated position.

** Grampian Health Board Endowment Funds net assets of £46.012 million represent £10.328 million unrestricted and £35.684 million restricted funds (2015/16: £41.299 million, £6.137 million unrestricted and £35.162 million restricted).

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

The revenue financial out turn of each of Grampian Health Boards Partner organisations and the impact on consolidation in the group accounts is summarised below :-

Partner Organisation	Revenue out turn 2016/17 £000's	Included in group* 2016/17 £000's	Revenue out turn 2015/16 £000's
Grampian Health Board Endowment Funds**	4,713	4,713	(3,410)
Aberdeen City IJB net surplus ***	10,418	5,209	Nil
Aberdeenshire IJB net deficit ****	0,009	0,005	Nil
Moray IJB net surplus *****	2,704	1,352	Nil

* The basis of consolidation is determined by the extent of control Grampian Health Board can effectively exercise over each of its partner organisations. All Trustees of the Grampian Health Board Endowment funds are members of Grampian Health Board. The Board therefore has majority control and, under IAS 27, must consolidate, in full, the financial results of the Grampian Health Board Endowment Funds in to the main Board accounts. Voting membership of each of the IJB's is however split equally between members of Grampian Health Board and members of each local council. The Board therefore has exactly half of the controlling interest in each IJB and, under IAS 28, is required to consolidated only this share of the net assets in to the main Board accounts.

** Grampian Health Board Endowment Funds reported a net favourable movement in funds of £4.713 million for the year (2015/16: adverse £3.410 million) representing a net gain on revaluation of the investment portfolio of £3.823 million (2016 net loss £3.462 million) and a net gain from the disposal of fixed asset investments of £2.567 million (2016: £1.166 million), partly off-set by an in-year deficit from charitable activities of £1.677 million (2016: £1.114 million). The in-year deficit on charitable activities was the result of a deliberate intention by the Trustees to encourage the effective use of available funds in line with the Fund's objectives. During the year, the Fund made a range of grant payments totalling £5.666 million (2016: £5.927 million). The largest proportion of these grants (£4.392 million; 2016: £2.648 million) were made to Grampian Health Board to enable a range of research and other activities for the benefit of patients and the remainder relating to other charities, local community groups and individuals to support a range of activities to improve the health and wellbeing of the people of Grampian. The full range of charitable activities of the Grampian Health Board Endowment Funds, including a copy of the 2016/17 annual report and accounts can be viewed at www.nhsgcharities.com.

*** Aberdeen City IJB reported a net surplus of £10.418 million for the year (£5.644 million relating to a surplus on health services provided by Grampian Health Board and £4.774 million relating to a surplus on adult social care services provided by Aberdeen City Council). The overall surplus relates mainly to the non recurring impact of slippage against transformational funding to support closer integration through the development of alternative models of care in the community. This funding has been carried forward and will be fully utilised in 2017/18 and future years. A copy of the 2016/17 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

**** Aberdeenshire IJB reported a net surplus of £0.009 million for the year (£0.549 million relating to a surplus on health services provided by Grampian Health Board offset by a deficit of £0.540 million on adult social care services provided by Aberdeenshire Council). A copy of the 2016/17 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

*** Moray IJB reported a net surplus of £2.704 million for the year (£1.403 million relating to a surplus on health services provided by Grampian Health Board and £1.301 million relating to a surplus on adult social care services provided by Moray Council). The overall surplus relates mainly to the non recurring impact of slippage against transformational funding to support closer integration through the development of alternative models of care in the community. This funding has been carried forward and will be fully utilised in 2017/18 and future years. A copy of the 2016/17 Moray IJB annual report and accounts can be viewed at the following [link](#)

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

Grampian Health Board performance against statutory financial targets

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

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

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

	Limit as set by SGHSCD £000	Actual Outturn £000	Variance Under £000
Core Revenue Resource Limit	984,007	982,976	1,031
Non Core Revenue Resource Limit	56,767	56,767	-
Core Capital Resource Limit	12,099	12,099	-
Non Core Capital Resource Limit	8,297	8,297	-
Cash Requirement	1,040,421	1,040,421	-
Memorandum for In Year Out-turn			£000
Brought forward surplus from previous financial year			143
Outturn against in year Revenue Resource Limit			888
Net Saving against Revenue Resource Limit			<u>1,031</u>

An in-year surplus of £0.888 million was recorded for the year against a target of breakeven. The small underspend was planned and resulted from additional funding received from the SGHSCD in February to meet the cost of high cost drugs and for a lower than expected contribution for the year towards the national clinical negligence and other risks indemnity scheme. The SGHSCD have agreed that this benefit can be carried forward to support our financial position in 2017/18.

The efficiency savings target of £26.470 million for the year was achieved in full through a range of initiatives including reduced energy costs from investment in more efficient infrastructure, property rationalisation, focused procurement activity to reduce the unit costs of consumables, introduction of biosimilar drugs as alternative treatment regimes and productivity improvements through investment in technology and redesign of services to enable reduced staffing levels in back office functions and redeployment of clinical staff to areas of greatest need. Recurring savings amounted to £15.1 million and non-recurring of £11.370 million.

The provision for bad and doubtful debts is quantified at £0.7million (2015/16 £0.7 million) and is disclosed under trade and other receivables in note 13.

At the year end the Board provided £45.1 million for legal obligations arising from clinical negligence and other employer liability claims (2015/16 £25 million). The increase relates mainly to the impact of the change in treasury discount rate on the current value of anticipated future claims (negative 0.75% in real terms in 2016/17 compared to positive 2.5% in real terms in 2015/16). Details are provided in note 17.

2. Property Valuation

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2017. The values were calculated in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS and applied to reflect local market conditions at 31 March 2017. The effect of this revaluation on individual assets was some gained value while others were impaired. The impact of those assets subject to an upward movement in valuation was an increase to the revaluation reserve of £0.146 million (2015/16 decrease of £23.851 million). The net value of impairment on those assets subject to a downward movement in valuation, after utilising any available revaluation reserve, was £8.912 million (2015/16 £6.238 million) and this was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure. The SGHSCD have provided additional non recurring funding to compensate for this charge.

3. Infrastructure and Non Current Assets

The Board delivered a programme of infrastructure investment totalling £41.211 million during 2016/17. This overall programme was resourced using a combination of capital funding from the SGHSCD (£20.396 million; split core CRL £12.099 million and non-core CRL £8.297 million. See note 9), income from donations (£7.396 million; split capital £5.267 million and revenue £2.129 million), revenue budgets made available to support estates maintenance (£7.041 million) and proceeds from asset disposals (£6.380 million; split £4.774 million net book value and £1.606 million profit on disposal).

The Capital Resource Limit was achieved for the year after the SGHSCD agreed to allow the Board to carry forward the benefit from the sale of surplus land on the Foresterhill Site and a fortuitous underspend on the most recent stage of the backlog maintenance project at ARI to meet future planned commitments. The Board's CRL was reduced by £2 million in 2016/17 and a compensating adjustment will be made to increase the Boards CRL in 2018/19.

Major investments during the year include:

- Completion of a new Aseptic Pharmacy unit at ARI (£1.1 million);
- Enabling works and relocation of Laboratory services (£0.3 million);
- Initial design work in support of the Baird Family Hospital and Anchor centre (£1.8 million);
- Upgrade of accommodation and a new extension at Roxburgh house (£0.4 million) jointly funded by The Friends of Roxburgh House, Macmillan Cancer Care and the NHS Grampian Endowment Funds;
- A capital grant to Portlethen Medical Practice (£0.3 million) to meet 50% of the costs of upgrading and extending their practice premises;
- Investment of £13.2 million to progress our agreed programme to reduce high and significant risk backlog maintenance across our estate including completion of the refurbishment of three of the clinical floors in the Phase 2 block at Aberdeen Royal Infirmary;
- Relocation of ENT and Audiology services to refurbished ward accommodation at Woodend Hospital (£1.5 million) allowing Woolmanhill Hospital to close;
- Upgrading and refreshing of IT servers supporting the Patient Management system (£1.2 million);
- Investment during the year of £7.2 million in replacement of essential plant, IT and medical equipment.
- Work in progress on the multi storey car park at Aberdeen Royal Infirmary (£3.5 million) which will be funded entirely by a charitable donation from the Wood Foundation. The car park is expected to be operational by Autumn 2017;
- Completion of the new MRI scanner at Woodend Hospital (£1.6 million) funded mainly through a charitable donation from the Craig Group;

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

- Work in progress for the replacement of Inverurie and Foresterhill Health Centres (£8.3 million), funded through the Hub initiative, which are expected to be operational by the summer of 2018;
- Completion of the work to replace the boilers at Woodend Hospital from Heavy Fuel Oil to Gas fired (£0.8 million); and
- Work in progress to construct and install the various elements of upgraded energy infrastructure that will operate under an energy performance contract with a specialist private sector firm agreed by the Board in December 2015. The contract involves NHS Grampian leasing the energy infrastructure from our private sector partner who in turn are contractually committed to deliver a guaranteed reduction in energy consumption and a corresponding reduction in carbon emissions of 16%. The scheme will deliver a range of energy efficiency measures at Foresterhill, Dr Grays and Royal Cornhill Hospitals. All work is expected to be complete by August 2017.

Details of all Hub (PPP) schemes are included in note 22.

4. 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 dental and ophthalmic charges in the year to 31 December 2016 could potentially have been £0.4 million higher (2015: £0.4 million) due to incorrect claims.

5. Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 23 and the Remuneration Report.

6. Payment Policy

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2016/17, the average credit taken was 9 days (2015/16: 9 days).

In 2016/17 96% of invoices by value (2015/16 96%) and 94% of invoices by volume (2015/16 94%) were paid within 30 days. In 2016/17 91% of invoices by value (2015/16 91%) and 89% of invoices by volume (2015/16 88%) were paid within 10 days.

7. Social Community and Human Rights

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

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

- An NHS Grampian Equality Outcomes Report 2017-2021, published in April 2017;
- An NHS Grampian "Mainstreaming" Report for 2015-2017, published in April 2017;
- An NHS Grampian Equal Pay Monitoring Report, published in April 2017; and
- Other Equality and Diversity Monitoring Reports on specific topics or issues.

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

8. Performance Indicators

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

Performance is also reviewed in public at an Annual Review meeting. The most recent Annual Review meeting was held on 6 October 2016 with the outcome summarised in a formal letter to the Board. The following information summarises performance against selected key indicators, using the most up to date published information available at the time of writing :-

8.1 Performance against Key Targets

8.1.2 Safe

Cleanliness and good clinical practice are high priorities for NHS Grampian. The Board participates fully in the Scottish Patient Safety Programme, which aims to improve the safety and reliability of healthcare and reduce harm, wherever care is delivered and receives regular reports on all aspects of Healthcare Associated Infection. Performance including rigorous auditing of compliance with hand washing and cleanliness is closely monitored by the Clinical Governance Committee. Performance against key indicators is summarised below:-

8.1.2 (a) Safe - Local Delivery Plan Standards

Measure	Performance
Clostridium difficile infections per 1000 occupied bed days (0.32)	The rate of Clostridium Difficile infections in people over the age of 15 rose to 0.36 per 1000 occupied bed days in the year to December 2016, slightly exceeding the target of 0.32.
SAB infections per 1000 acute occupied bed days (0.24)	The number of staphylococcus aureus bacteraemia (including MRSA) in the quarter to December 2016 was 0.3 per 1000 occupied bed days. This performance, although lower than the target of 0.24, continues to compare favourably to the Scottish average of 0.32.

Local enhanced surveillance data for the quarter ended December 2016 indicates that 46% of cases originated in hospital and in 54% of cases the infection was present on admission.

Overall performance against these key infection targets is closely monitored by the Clinical Governance Committee and each new case is discussed at a weekly multidisciplinary team meeting involving, where appropriate, Infection Prevention and Control Doctor(s), Infection Prevention and Control Nurses, Surveillance Nurse, Antimicrobial Pharmacist, and a microbiology registrar. By close investigation of each case and typing of the organisms, when indicated, the Infection Prevention and Control Team is assured that there have not been any outbreaks of CDI.

8.1.2 (b) Safe - Other Performance Measures

Measure	Performance
Hospital Standardised Mortality Ratio (HSMR) is a measure relating observed deaths in hospital with predicted deaths.	Aberdeen Royal Infirmary has recorded an HSMR of 0.86 for the quarter ending September 2016 and has only had two quarters with an SMR above 1 i.e. observed deaths have been lower than predicted deaths since early 2011. Dr Gray's Hospital, by contrast, has recorded an HMSR of 1.14.

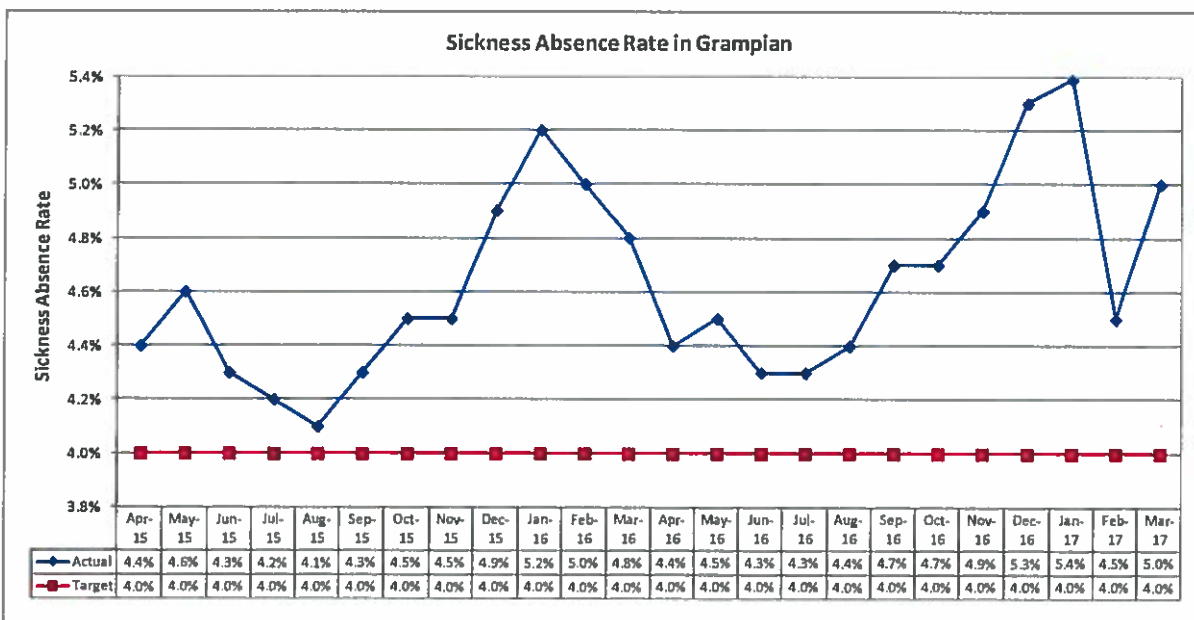
Senior clinicians and managers have been engaged with Healthcare Improvement Scotland to review HSMR at Dr Gray's Hospital. This has led to development of a number of themed action plans, including internal reviews of processes and data, case note reviews and examination of coding. In addition to the above, the Board have progressed a series of actions relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations arising from a programme of visits by the Health and Safety Executive during the year.

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

8.1.3 Well Led

NHS Grampian has successfully achieved each of the three financial performance targets for the year (see section 1 financial performance and position on page 7 above).

The sickness absence rate for the year was 4.78% (see the Staffing Report on page 35 below). Although this is above the national target of 4% it continues to compare favourably to the overall Scottish average of 5.2%.



8.1.4 Effective

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

8.1.4 (a) Effective - Local Delivery Plan Standards

Measure	Performance
People diagnosed and treated in 1st stage of breast, colorectal and lung cancer (25% increase)	For the combined calendar years 2014/2015 20.1% of people in Grampian were diagnosed and treated in the first stage of breast, colorectal and lung cancer.
People newly diagnosed with dementia will have a minimum of 1 years post-diagnostic support	Completion rates were variable between 70 and 80% during the period January 2015 to June 2015 but fell in the next quarter with a completion rate of 66% reported in September 2015. Although lower than target the completion rate within Grampian compares favourably to the Scottish average of 50% in September 2015 ¹ . The rate of patients across Grampian waiting over three months for Dementia Post Diagnostic Support was 89.5% at February 2017.
At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation	We continue to deliver this standard in full.

¹ Data post September 2015 is not included as many of these patients are still receiving post diagnostic support.

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

8.1.4 (a) Effective - Local Delivery Plan Standards

Measure	Performance
Sustain and embed alcohol brief interventions in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings.	Between April to December 2016 3,490 Alcohol Brief Interventions were delivered against a target of 3,996. We are working to incentivise primary care activity and to support delivery by other practitioners in wider settings.
Sustain and embed successful smoking quits, at 12 weeks post quit, in the 40% of SIMD areas	In the period to December 2016 557 successful smoking quits at 12 weeks in the 40% of most deprived areas were delivered against the target of 861. Priorities for 2017/18 have been reaffirmed with the SGHSCD and include focusing smoking cessation resources towards prisoners at Her Majesty's Prison Grampian, patients at Royal Cornhill Hospital, and pregnant smokers.

8.1.4 (b) Effective - Other Performance Measures

Measure	Performance
NHS Boards are required to ensure that 25% of people under 18 years and 6% of people over 18 years, living with type 1 diabetes receive insulin pump therapy.	The 25% target for under-18s was reached in February 2016 and by November 2016 over 30% had been achieved. However, a drop to 29.5% was recorded in January 2017 with a further drop to 29.1% in March. The rate amongst over 18s finally reached the 6% target in August 2016 and with the exception of a drop to 5.9% in September, has remained at or above 6% since.
Reduce the rate of emergency inpatient bed days for people aged 75 and over per 1,000 population.	The number of bed days per 100,000 population in the year to March 2017 was 4,406. This represents a reduction of 3.5% compared to the year ending March 2016 and 9.6% compared to the previous year.

8.1.5 Responsive

NHS Grampian is expected to deliver against a range of access time standards and efficiency measures. Performance against selected key indicators is summarised below:-

8.1.5 (a) Responsive - Local Delivery Plan Standards

We have set out below a summary of our performance against the commitments set out within the Local Delivery Plan for 2016/17.

12 week in patient / daycase Treatment Time Guarantee (TTG)

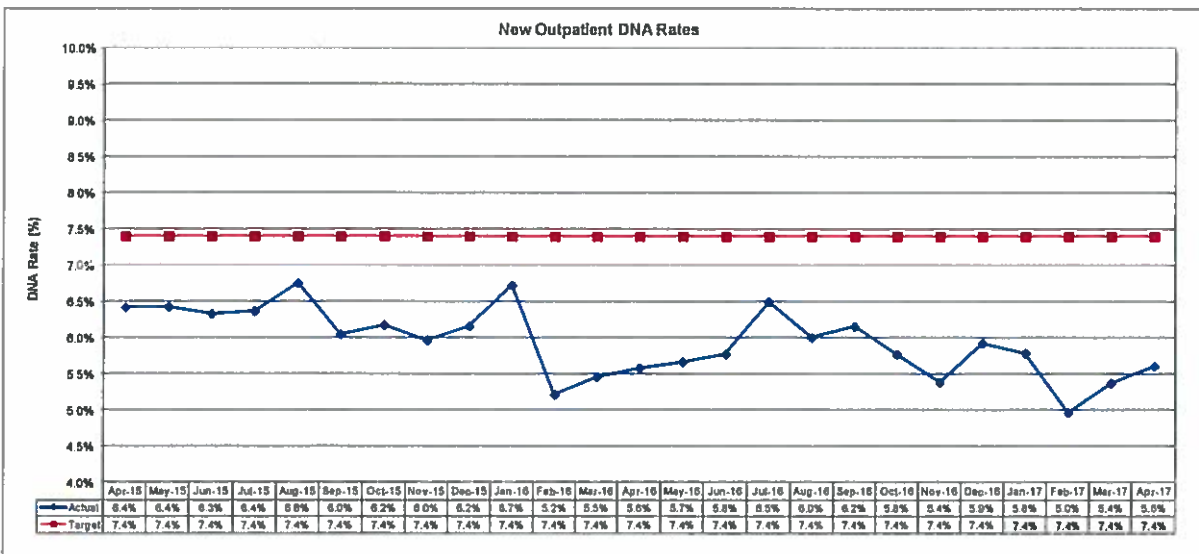
In line with our plan to achieve financial balance we reduced our reliance on out of area private sector providers and non-core activity and continued to work towards improved efficiency and productivity within core services to produce locally sustainable specialties. We committed to make best endeavours within available resources to ensure that the Acute Sector Waiting Times Plan was delivered. Based on this plan we expected our performance to be in the range 850-1,360 by 31 December 2016. The actual reported position at the end of December was 1,501 slightly above the projected position. During the period since December elective care capacity has been impacted by a number of factors including theatre nurse capacity, winter pressures on available beds and critical care capacity. In response to these factors, the Board has implemented a comprehensive surgical transformation programme and is in the process of implementing a new surgical classification system.

**GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
8.1.5 (a) Responsive - Local Delivery Plan Standards (cont)**

12 weeks for first outpatient appointment

We committed to best endeavours to achieve the best outcome within available resources. Based on the demand and capacity modelling we have undertaken we expect our performance to be in the range 7,299-9,060 by 31 December 2016. Whilst the actual position at 31 December was 10,628, the position stabilised during the final quarter of the financial year with the number of patients waiting beyond 12 weeks reducing to 9,180.

Given the challenge in meeting the national standard significant effort has been made to optimise available capacity. The patient focused booking which was introduced has assisted in ensuring that we minimise where possible the monthly Did Not Attend rates for new outpatients. Only one month since then - September 2014 - has failed to meet the 7.4% target and since February 2016, 12 out of 15 months have recorded below 6% with February 2017 recording as low as 5.0%



Cancer Access Times

We committed to improving our cancer access times performance. Following the success of the endoscopy service plan in 2015/16, our focus in 2016/17 was on implementing redesigned pathways for those tumour types where we continue to have challenges in meeting the 31 and 62 day targets. Our reported performance by quarter during the year is noted below:

	62 day target	31 day target
Quarter to June 2016	86.02%	96.75%
Quarter to September 2016	83.07%	93.31%
Quarter to December 2016	85.64%	94.75%

Performance during the period 1 April to 31 December 2016 was steady, with the main impact on the latter quarters being attributable to short term capacity issues within colorectal and breast cancer, with plans implemented to address the gaps in endoscopy and breast surgery capacity. Performance in the final quarter of 2016/17 has been impacted by the capacity challenges arising from access to theatres and critical care beds. The performance against the access standards should also be considered within the context of a continued rise in the number of referrals for potential cancer diagnoses arising from the national screening programmes. We will continue to take forward the pathway improvement actions for each major tumour type and the actions within the surgical transformation programme

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

8.1.5 (a) Responsive - Local Delivery Plan Standards (cont)

18 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS)

We have been unable to achieve the local delivery plan standard due to challenges in recruiting to vacant posts. The service however has implemented actions, in conjunction with key partner agencies, to mitigate the risk to service provision where possible, these actions include:

- All patients continue to be prioritised on clinical need
- Referrals are assessed on a daily basis and altered if a patient's circumstances change
- Emergencies are reviewed on the day of referral
- There has been significant service redesign with local authority partnerships
- We are working closely with Scottish Government and taking all actions possible to improve the position

In the last reported quarter to December 2016, 45.0% of children referred to the service were seen within 18 weeks, up from 37.6% during the previous quarter.

18 weeks referral to treatment for Psychological Therapies

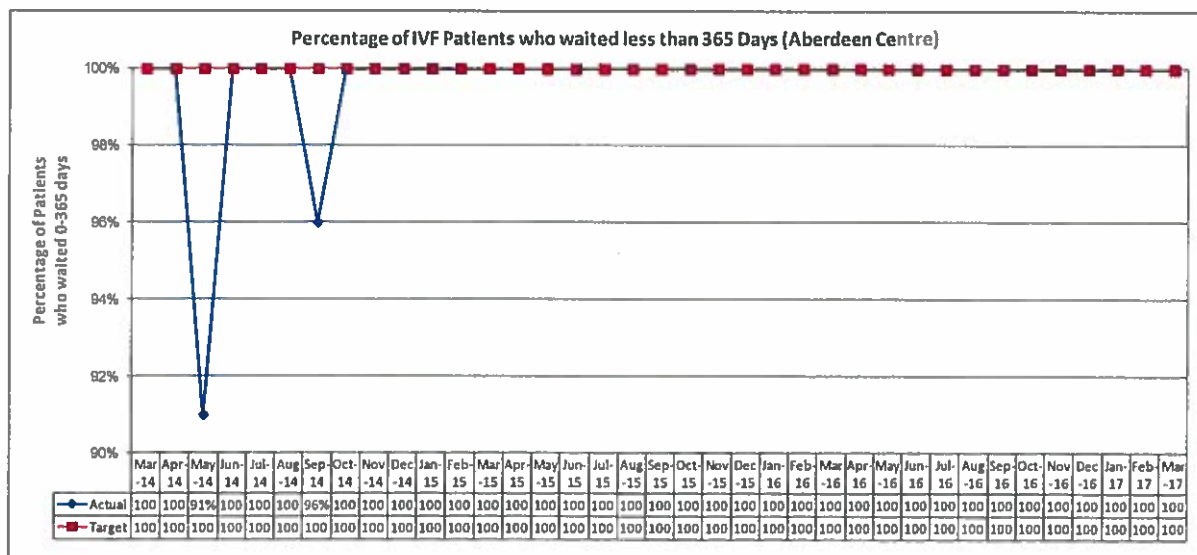
Similar to the CAMHS service we have been unable to achieve the local delivery plan standard due to challenges in recruiting to vacant posts. A number of service improvement and alternative options to assist patients have been implemented during the year.

As a result of these measures, performance has steadily improved during the year with the proportion of patients waiting less than 18 weeks increasing to 75.7% in quarter to December 2016 (from 69.2% in quarter to September 2016 and 66.3% in quarter to June 2016).

Other local delivery standards - access

Measure	Performance
Eligible patients commence IVF treatment within 12 months (90%)	During 2016/17 no patients in Grampian waited more than 12 months for treatment.
Clients will wait no longer than 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery (90%)	We consistently met the standard of 90% of drug and alcohol patients waiting less than 3 weeks for treatment.

The table below shows that since September 2014 that all eligible patients have commenced IVF treatment within 12 months



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

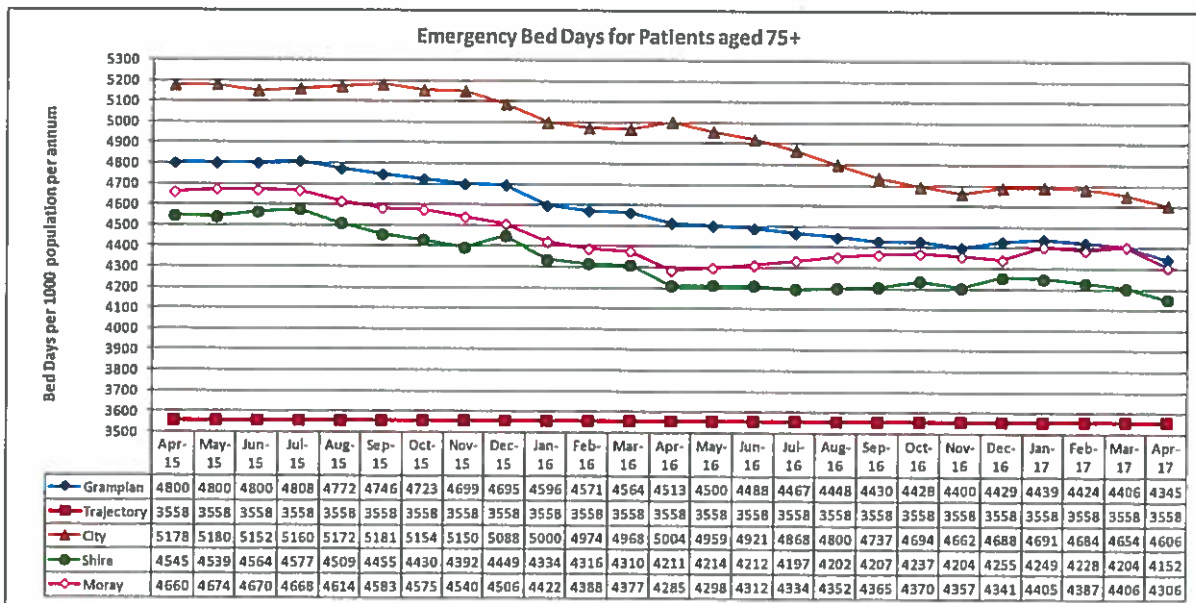
8.1.5 (b) Responsive - Other Performance Measures

Unscheduled Care

We committed to sustained delivery of performance against the 4 hour A&E standard (95% on an NHS Grampian Board basis) and making further progress in reducing the number of patients whose discharge from hospital has been delayed.

Measure	Performance
In Grampian A&E attendances (at ARI, Dr Gray's and Royal Aberdeen Children's Hospital) are expected to fall to a monthly average of 1,537 per 100,000 population by March 2012 and to 1,476 per 100,000 population by March 2014.	The number of A&E attendances per 100,000 population recorded in March 2017 was 1,388. The total number of attendances for the year to March 2017 was 136,534. This was 1.5% fewer than in the same period one year previously (138,659), whereas an increase of 1.0% was recorded across Scotland.
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment by September 2015.	The percentage spending 4 hours or less in an A&E department for the year ending 31 March 2017 was 96.0%, above the Scotland wide rate of 94.1%.

The table below shows that emergency bed days, for over 75s have been on a downward trend since April 2015. The latest figure, for the year ending April 2017, was 4,345 bed days per 100,000 population. This was 3.7% lower than for the year ending April 2016. Rates are highest in Aberdeen City but have dropped by the greatest amount: 8.0% since April 2016 compared to only 1.4% in Aberdeenshire and a 0.5% increase in Moray.



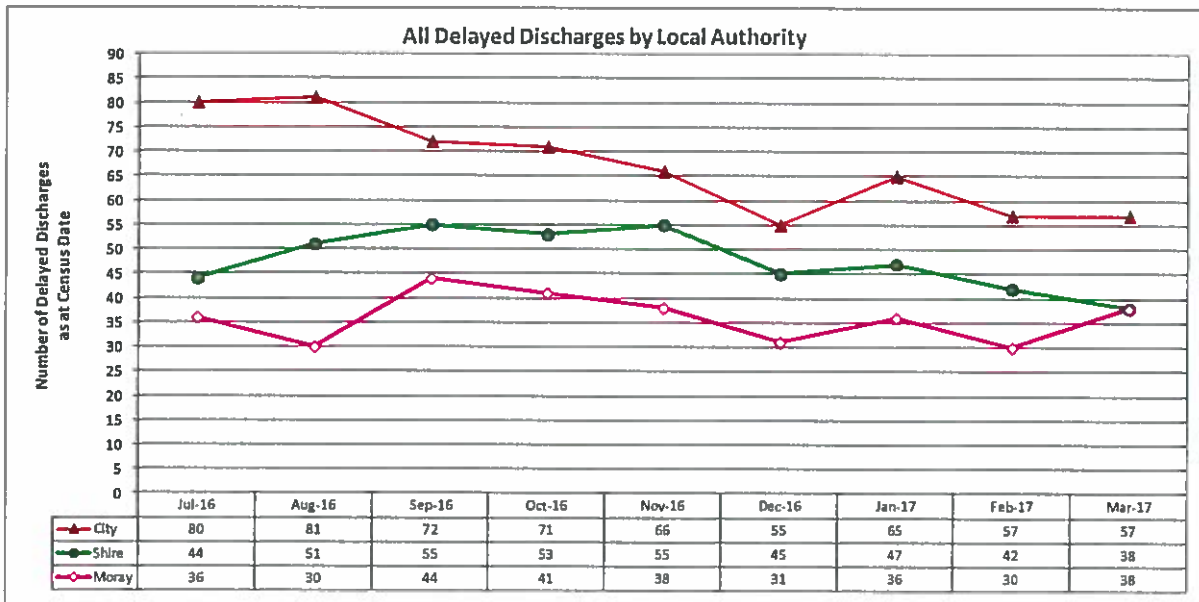
GRAMPIAN HEALTH BOARD
PERFORMANCE REPORT (cont)
b) PERFORMANCE ANALYSIS (cont)
8.1.5 (b) Responsive - Other Performance Measures

Unscheduled Care (continued)

Measure	Performance
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	The number of bed days used for delayed discharges in Grampian at March 2017 have reduced by 60% since the peak during winter 2014/15, particularly in Aberdeenshire and Aberdeen City. Compared to last year alone, bed days have reduced by 27% and we now use 4063 days for delayed discharges on average per month compared to 5554 in 2015/16, and as many as 8000 per month at the peak in January 2015.

The table below sets out the number of delayed discharges by type and local authority. Since July there has been a reduction in the number of delays in Aberdeen City and Aberdeenshire.

The number of bed days used for delayed discharges in Grampian at March 2017 have reduced by 60% since the peak during winter 2014/15, particularly in Aberdeenshire and Aberdeen City. Compared to last year alone, bed days have reduced by 27% and we now use 4,063 days for delayed discharges on average per month compared to 5,554 in 2015/16, and as many as 8,000 per month at the peak in January 2015.



Dental Registrations

88.8% of children and 74.0% of adults are registered with an NHS dentist. Across Scotland the respective figures were 94.1% and 91.1%. There has been a 3% improvement in the proportion of the Grampian population registered with an NHS dentist since September 2015². We are well on track to achieving the registration targets of 90% of children and 73% of adults by the end of 2018 and 93% of children and 75% of adults by the end of 2020 as set out in the NHS Grampian Dental Plan 2016 – 2022.

Access to pain management service

We targeted improvements in access to pain management for Grampian residents in 2016/17. The most recent reported national statistics to 31 December 2016 highlighted that 76.6% of patients seen were treated within 18 weeks. This represented an increase from 67.9% the previous quarter and remains above the Scotland wide rate of 64.5%. 96.8% of all patients have been waiting less than 18 weeks compared to 81.4% across Scotland.

² In 2015/16, there were a total of 263 principal dentists in Grampian - down from 282 in 2014/15. This equated to a rate of 44 per 100,000 population and compared with a rate of 49 per 100,000 population across Scotland

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

8.1.6 Caring

NHS Grampian aims to be an organisation that is caring, listening and improving. We do this through a variety of involvement and engagement mechanisms including extensive patient and public involvement in key Board activities. Our Engagement and Participation Committee oversees this activity. We are currently meeting standards set in relation to Patient Feedback and are well placed to implement the new Scottish arrangements that became effective April 2017.

8.1.6 (a) Caring - Performance Measures

Measure	Performance
Deeper understanding of types of complaints to target improvement.	During 2016 there were on average 118 complaints per month while the first quarter of 2017 has seen this increase to 140 per month.
Number of Compliments	During 2016 there were on average 68 compliments per month while the first quarter of 2017 has seen this reduce to 45.
Acknowledge complaints within 3 working days and reply to complaints within 20 working days.	In February 2017 100% of complaints were acknowledged within 3 working days and 57% of complaints received a reply within 20 working days.
Percentage of Level 1 adverse event reviews commissioned within 10 working days of date reported on DATIX, the Boards risk management and incident recording system, and % Level 1 adverse event reviews completed within 90 days of commissioning.	At December 2016 the percentage of reviews commissioned within 10 days was 6.7% and 0% were completed within 90 days.

9. Sustainability and the Environment

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

Further information on the Act, along with copies of prior year national reports, can be found at the following resource: <http://www.keepsScotlandBeautiful.org/about-us/our-reports-and-publications/>

10. Events after the end of the reporting period

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



Mr Malcolm Wright
Chief Executive
Grampian Health Board

27 June 2017

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT
a) **CORPORATE GOVERNANCE REPORT**
i) **THE DIRECTORS' REPORT**

1. Naming Convention

NHS Grampian is the common name of Grampian Health Board.

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

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 27 June 2017.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 48.

4. Accounting Convention

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Annual Accounts consolidate the results of the Grampian Health Board Endowment Funds (operating as NHS Grampian Endowment Funds.) The basis of consolidation used is Merger Accounting. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

Effective from 2016/17 the Annual Accounts also consolidate the Board's interest in the three Integration Joint Boards (IJB's); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements each IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint arrangements the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 86 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 46.

5. Appointment of Auditor

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2020/21, the Auditor General appointed Gillian Woolman, Assistant Director, Audit Scotland, to undertake the audit of Grampian Health Board. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

The Trustees of NHS Grampian Endowment Funds reappointed Deloitte LLP as external auditor, for the financial year 2016/17.

6. Role of the Board

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

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

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

All Board members are also trustees of the NHS Grampian Endowment Funds which was established by the NHS (Scotland) Act 1978 and is a Registered Charity subject to the legal framework of the Charities and Trustee Investment (Scotland) Act 2005.

The charitable purpose of NHS Grampian Endowment Funds is to enhance healthcare and patient welfare in Grampian, through:

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

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJBs), Moray, Aberdeen City and Aberdeenshire, were established in Grampian on 6 February 2016 with full delegation of functions and resources to enable integration of primary and community health and social care services effective from 1 April 2016. Executive and Non Executive Directors of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority.

7. Board Membership

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

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

Chair : Professor Stephen Logan

Vice Chair : Mrs Christine Lester

Non-Executive Members:

Mrs Amy Anderson	(from 1 August 2016)
Mr David Anderson	(to 31 July 2016)
Mrs Rhona Atkinson	
Dame Anne Begg	(from 1 August 2016)
Mr Raymond Bisset	
Councillor Linda Clark	(from 4 October 2016)
Councillor Stewart Cree	
Councillor Barney Crockett	
Councillor Martin Kitts-Hayes	(to 31 August 2016)
Mrs Sharon Duncan	
Professor Mike Greaves	
Dr Lynda Lynch	
Mr Terry Mackie	(to 31 July 2016)
Dr Helen Moffat	
Mr Jonathan Passmore	
Mr Eric Sinclair	

Executive Members:

Mr Malcolm Wright	Chief Executive
Dr Nick Fluck	Medical Director
Mr Alan Gray	Director of Finance
Professor Amanda Croft	Director of Nursing, Midwifery and Allied Health Professions

The Board members' responsibilities in relation to the accounts are set out in a statement on page 20 below.

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

8. Board Members' Interests

The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public on the NHS Grampian Website at this [link](#) or by contacting the Assistant Board Secretary on 01224 558600. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2016/17 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds or as a member of an IJB that required disclosure in the accounts under IAS 24.

9. Disclosure of Information to Auditor

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

10. Remuneration for Non Audit Work

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2016/17.

Deloitte LLP, the Boards external auditor in 2015/16, were the appointed auditors for the NHS Grampian Endowment Funds for 2016/17 and received no fees for non-audit work (2015/16 £23,820).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2016/17 (2015/16 £0).

11. Public Services Reform (Scotland) Act 2010

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

12. Personal Data Related Incidents

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office on one occasion during 2016/17 (2015/16 three).

13. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 24.

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont) CORPORATE GOVERNANCE REPORT (cont).

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

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

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

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

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

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

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

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2017 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

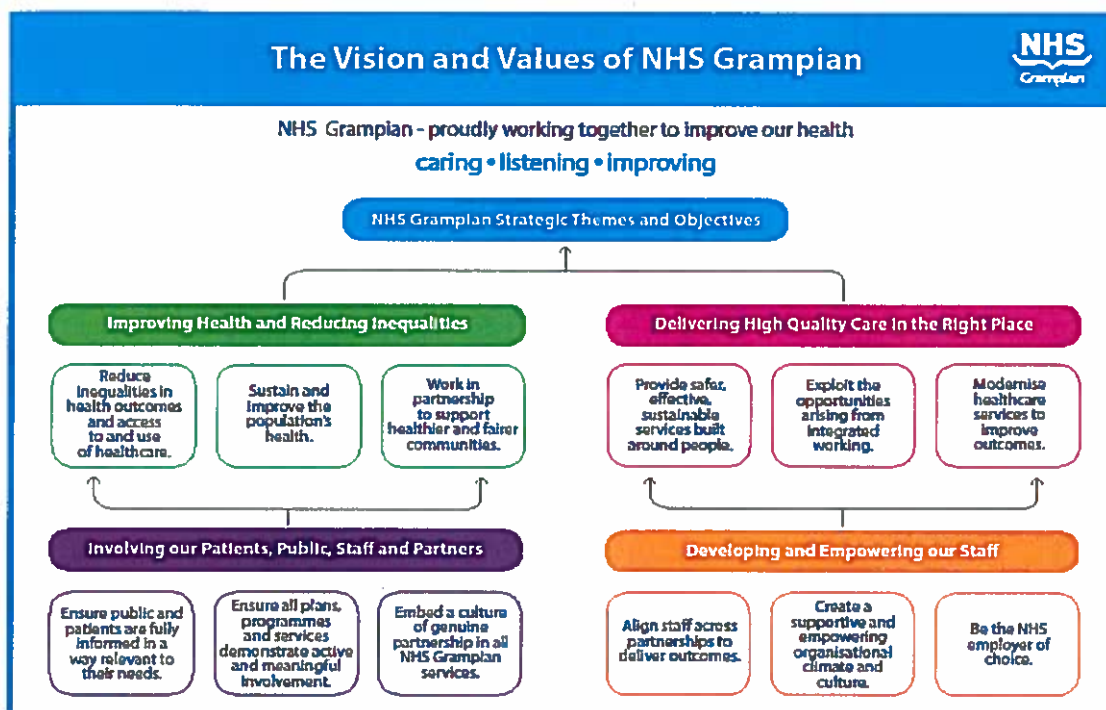
The Health Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

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

1. Strategic Vision, Themes and Values

The Grampian Clinical Strategy for 2016-2021 was approved by the Grampian NHS Board in October 2016 and sets out our aspiration to improve population health and health equality. The clinical strategy is covered in more detail in the performance report section on page 4 above.

The Board are committed to working with our partners and staff to improve the health of the people of Grampian and the clinical strategy has been developed in line with our strategic vision and values which are detailed below:



The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives. The Board's Engagement and Participation Committee (see page 23 below) has a key oversight role ensuring that all stakeholders are effectively informed about and involved in services and the strategic agenda in a variety of ways.

2. Assurance Framework

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

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

In addition, as explained in the Directors' Report on page 18, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment ("Scotland") Act 2005.

GRAMPIAN HEALTH BOARD

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

The Directors report on page 18 also explains the establishment of the three Integration Joint Boards (IJBs), in Moray, Aberdeen City and Aberdeenshire. Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of adult health and social care services to each IJB. The delegation of services is governed by an integration scheme agreed by both partners and Executive and Non Executive Directors of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The Board's performance management arrangements include those services delegated to the IJB's and the Chief Officers of each IJB attend each meeting of Grampian Health Board and each of the Board's key Governance Committees as required.

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

Clinical Governance Committee

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

Membership: Professor Mike Greaves (Chair), Dame Anne Begg (from 1 August 2016), Councillor Linda Clark (from 4 October 2016), Dr Lynda Lynch, Mr Terry Mackie (to 31 July 2016), Councillor Martin Kitts-Hayes (to 31 August 2016), Dr Helen Moffat (from 18 October 2016), Mr Eric Sinclair and a public representative.

Staff Governance Committee

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

Membership: Mr Terry Mackie (Chair to 31 July 2016), Mr Eric Sinclair (Chair from 1 August 2016 and member from 26 May 2016), Mr David Anderson (to 31 July 2016), Mrs Rhona Atkinson, Mrs Sharon Duncan, Mr Jonathan Passmore (from August 2016) and Professor Stephen Logan. There is Executive Director and Staff Side representation at each meeting.

Remuneration Committee

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

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

Membership: Mr Terry Mackie (Chair to 31 July 2016), Professor Stephen Logan (Chair from 1 August - 31 October 2016), Mr Eric Sinclair (Chair from 1 November 2016 and member from 26 May 2016), Mr David Anderson (to 31 July 2016), Mrs Rhona Atkinson, Mrs Sharon Duncan and Mr Jonathan Passmore (from August 2016).

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
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Audit Committee

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

- The review of internal and external audit arrangements;
- The regular review of findings and associated management action arising from internal and external audit activity;
- 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 to 31 July 2016), Mrs Rhona Atkinson (Chair from 1 August 2016), Councillor Barney Crockett, Mrs Sharon Duncan, Professor Mike Greaves and Dr Lynda Lynch.

Performance Governance Committee

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

Membership: Professor Stephen Logan (Chair), Mrs Rhona Atkinson, Mr Raymond Bisset, Councillor Stewart Cree, Mrs Sharon Duncan and Mrs Christine Lester.

Engagement and Participation Committee (formerly PFPI Committee)

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

Membership: Mrs Christine Lester (Chair), Mrs Amy Anderson (from 1 August 2016), Councillor Linda Clark (from 4 October 2016), Councillor Martin Kiitts-Hayes (to 31 August 2016), Mr Jonathan Passmore. There is also Executive Director and extensive staff, clinical, management and public representation attendance at meetings.

Endowment Committee

The Endowment Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2017 valued at £46 million (31 March 2016 valued at £41.3 million).

Membership: Mr Raymond Bisset (Chair to 31 March 2017), Dame Anne Begg (Chair from 1 April 2017), Councillor Stewart Cree, Mrs Sharon Duncan, Mr Alan Gray, Professor Mike Greaves and Mrs Laura Gray.

2. Scope of Responsibility

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

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)³ which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes have been in place throughout the financial year:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;

³ The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
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- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas.
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance, endowment and audit committees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters.
- Regular review of financial performance, risk management arrangements and non financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief executives of each of the partner organisations in the North East Partnership forum, regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery.
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- An annual general meeting of all Trustees of the NHS Grampian Endowment Funds to approve the accounts and review investment policy and strategy.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
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3. Purpose of the System of Internal Control

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

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

4. 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 Board's current strategic risk register highlights the following issues as high risk :-

- Sustainability of the workforce;
- Availability of evidence and intelligence to inform strategy development;
- Compliance with health and safety regulations;
- Health and Social care integration;
- Achievement of financial targets;
- Strategic partnership working; and
- Infrastructure.

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

The Board hold a dedicated risk management session at least annually and the most recent session resulted in an agreement to progress a specific piece of work around risk appetite which will be used to inform and review the content of the strategic risk register.

The following risk management arrangements and processes have been in place throughout the year:

- 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;
- Risk management reporting includes evidence of the effectiveness of risk management arrangements and to ensure that lessons learned are fed back appropriately into the process;
- We have implemented an assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit;
- Regular reviews of the strategic risk register by the Performance Governance Committee, Senior Leadership Team and the Board ;
- Risk Registers are in place at the Strategic Corporate and Sector level 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;

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- 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; and
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

The organisation is committed to a process of continuous development and improvement, developing systems to address the key risks faced by the Board and in response to any relevant reviews and developments in best practice. In the period covering the year to 31 March 2017 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and the overall system of internal control:

- The Audit Committee closely monitor progress against all high risk actions arising from internal audit reports. These actions in 2016/17 included :-
 - Implementation of revised procedures for the warehousing management of prescription documentation stock and establishment of a short life working group, involving representatives from the GP Sub Committee, primary care management, nurse prescribing, acute and primary care pharmacy and the transport and logistics department to progress a system wide solution to resolve the issues highlighted regarding delivery and distribution of prescription documentation.
 - Development of a management action plan and quantification of the resource requirements to address the key risks highlighted in a cyber security maturity assessment carried out during the year.
 - Implementation of revised governance arrangements for the Homecare Medicines Service including finalisation of a formal policy, implementation of regular performance reporting and oversight of the service by the Grampian Medicines Management Group and development of a secure encrypted database to hold the service information, underpinned by formal procedures for the management of data.
 - The Mental Health and Learning Disabilities management team are considering the requirement to develop new methods of data collection and performance reporting in order to comply with the proposed introduction of 30 new Key Performance Indicators following publication of the Scottish Government Mental Health Strategy in March 2017.
 - The Public Health Directorate are considering the requirement to develop new methods of data collection and performance reporting in line with both national outcomes and those contained within the Board's Child Health 2020 Strategic Framework.
 - A review of management processes and timelines for the consultation and implementation of policy updates to ensure that priority is given to the regular review of those policies critical to effective governance of the organisation.
- The investigation into a high value suspected fraudulent claim for locum medical services is still underway led by specialist investigators from NHS Counter Fraud Services. During the year an electronic system to improve our internal controls for management of locum medical staff was procured from a third party service provider and this is in the process of being rolled out across all clinical operational areas.
- Improved processes were implemented within the transport and logistics service to meet the recommendations arising from an internal audit report on warehousing and vehicle management arrangements. The report, which was requested by the local service manager, was well received by staff within the department and a comprehensive action plan was reviewed by the Audit Committee in October 2016.
- Dependency on paper records continues to reduce with all records held at Spynie Hospital in Elgin now in electronic form and work is underway to scan remaining records held in the basement of Phase 2 Aberdeen Royal Infirmary and at Aberdeen Maternity Hospital. In addition to improving access and security of the records, transferring from paper to electronic form significantly reduces the risk of contamination of the records due to flood or fire and reduces the fire risk for those buildings where records are held.

GRAMPIAN HEALTH BOARD
ACCOUNTABILITY REPORT (cont)
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- The Clinical Governance Committee co-ordinated and provided oversight for the development and implementation of an action plan to meet the key recommendations from the independent high level review of our clinical governance arrangements prepared by Deloitte LLP, our previous external auditors. Actions progressed during the year included refinement of our organisational structure supporting clinical governance activity, greater clarity of roles and responsibilities for those involved, more consistency in reporting arrangements across sectors and the requirement for more emphasis on the assurance of patient experience and clinical effectiveness in reports. Audit Scotland have agreed to carry out a follow up review of progress as part of their 2016/17 external audit programme.
- Senior clinicians and managers have been engaged with Healthcare Improvement Scotland to review the comparatively high levels of HSMR at Dr Gray's Hospital. This has led to development of a number of themed action plans, including internal reviews of processes and data, case note reviews and examination of coding.
- Implementation of a series of actions relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations from several improvement notices served on the Board visits by the Health and Safety Executive and Environmental Health during the year.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance.
- All Board executive and non-executive directors have a formal annual appraisal, a key element of which is identification of the personal development requirements of each individual for the following 12 months. In addition to the personal development plans, the executive directors have regular senior leadership development sessions and the Board has a bi-monthly seminar which is topic focused and designed to support joint working in key areas linked to the Board's overall strategy.
- All three Integration Joint Boards (IJBs) were formally established on 6 February 2016 with full delegation of functions and resources on 1 April 2016. The Board's internal audit programme for 2016/17 included a review of progress on Health and Social Care Integration and the scope of this review was agreed jointly by the three Chief Officers of the IJBs. Arrangements are in place to share all relevant internal audit reports with the IJBs and following a meeting of all Grampian Audit Committee Chairs, there is agreement in principle to progress the development of a joint internal audit framework enabling the efficient co-ordination of future internal audit arrangements across Grampian.

Best Value

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

Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by external audit;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;

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- Reports from Health Improvement Scotland and other inspection agencies; and
- A formal update to the Board and an annual briefing to the Audit committee on progress against the backlog maintenance implementation plan aimed at reducing high risk backlog maintenance in clinical areas.

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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

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

Disclosures

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

GRAMPIAN HEALTH BOARD

b) REMUNERATION AND STAFF REPORT

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

i) THE REMUNERATION REPORT

Remuneration of Executive and Non-Executive Members

The total remuneration disclosed on pages 30 and 31 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

Board Members' Contracts of Employment

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS (ESM) 2013/1, PCS (ESM) 2012/1, PCS (ESM) 2013/2, PCS (ESM) 2013/3, PCS (ESM) 2015/1, PCS (ESM) 2015/2, PCS (ESM) 2016/1 and PCS (ESM) 2017/1.

Assessment of Performance

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

Relationship between the highest paid Director and the workforce median remuneration

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

2016-17		2015-16	
Highest Earning Director's Total Remuneration (£000s)	180-185	Highest Earning Director's Total Remuneration (£000s)	175-180
Median Total Remuneration (£)	28,747	Median Total Remuneration (£)	28,462
Ratio	6.36	Ratio	6.23

All staff received a 1% cost of living uplift in pay during 2016/17 and this is the main reason for the increase in median pay.

The highest earning Director is the Medical Director who is remunerated based on a nationally agreed salary scale which provides for incremental progression within a defined salary range. The increase in the ratio between the highest paid Director and the median pay relates to the incremental increase in salary for the Medical Director, authorised by the Remuneration Committee during 2016/17.

GRAMPIAN HEALTH BOARD

NHS GRAMPIAN

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2017

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2016/17.

	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2016/17 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2016 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2016 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/15 (£000)	Cash Equivalent Transfer Value (CETV) at 31/3/16 (£000)	Real increase in CETV in year
Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Remuneration of:													
Executive Members													
Mr Malcolm Wright	175-180	0	0.0	175-180	0	175-180	75-80	0	230-235	0	1,832	1,832	24
Dr Nick Fluck	180-185	0	0.5	180-185	6	185-190	55-60	0-2.5	165-170	2.5-5	1,076	1,071	30
Mr Alan Gray	128-130	0	3.9	130-135	26	155-160	15-20	0-2.5	0	0	204	204	36
Professor Amanda Croft	90-95	0	0.0	90-95	54	145-150	30-35	2.5-5	100-105	7.5-10	649	649	57
Non Executive Members													
Chair - Prof Stephen Logan	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Christine Lester	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr David Anderson (to 31 July 2016)	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson (from 1 August 2016)	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Rhona Atkinson	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dame Anne Begg (from 1 August 2016)	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Raymond Bisset	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Linda Clark (from 4 October 2016)	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Stewart Cree	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Barney Crockett	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Martin Kitts Hayes (to 31 August 2016)	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Sharon Durecan	75-80	0	0	75-80	41	115-120	30-35	0-2.5	95-100	5-7.5	640	704	56
Professor Mike Greaves	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Lynda Lynch	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Terry Macle (to 31 July 2016)	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Helen Moffat	55-60	0	0	55-60	26	80-85	10-15	0-2.5	30-35	0-2.5	184	209	25
Mr Jonathan Passmore	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

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

GRAMPIAN HEALTH BOARD

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2016

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2015/16.

Remuneration of:	Note	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2015/16 (bands of £5,000)	Value of Pension Benefits to be paid over 20 years following retirement	Total Remuneration (bands of £5,000)	Total accrued pension at 31 March 2016 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2016 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/15 (£000)	Cash Equivalent Transfer Value (CETV) at 31/3/16 (£000)	Real increase in CETV in year	
Executive Members															
Mr Malcolm Whight	a	185-170	0	1.2	185-170	166	330-335	75-80	7.5-10	230-235	22.5-25	1,507	1,752	207	
Dr Nicholas Flux		175-160	0	0.3	175-160	75	250-255	50-55	2.5-5	160-165	12.5-15	892	968	76	
Mr Alan Gray		120-125	0	3.2	125-130	28	150-155	5-10	0-2.5	0	0	64	111	27	
Mrs Amanda Cross (from 18/15)		50-55	0	0.0	50-55	33	85-90	30-35	2.5-5	80-95	7.5-10	485	558	61	
Non Executive Members															
Chair - Prof Stephen Logan		30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Vice Chair - Mrs Christine Lester	d	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr David Anderson	d	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Rhona Atkinson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Raymond Biset	d	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Stewart Cree		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Barney Crockatt		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mrs Sharon Duncan	b,d	70-75	0	0	70-75	51	120-125	30-35	2.5-3	90-95	7.5-10	550	624	62	
Professor Mike Greaves	d	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Martin Kils-Hayes		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Dr Lynda Lynch	d	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Terry Mackie	d	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Dr Helen Moffat	c	55-60	0	0	55-60	12	65-70	10-15	0-2.5	25-30	0	154	184	10	
Mr Jonathan Passmore	d	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Councillor Anne Robertson		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr Eric Sinclair	d	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

a) The remuneration disclosure for Mr Malcolm Whight reflects his earnings as an employee of NHS Education for Scotland while seconded to NHS Grampian as Interim Chief Executive for the three months April to June 2015 and for the nine months July 2015 to March 2016 as an employee of NHS Grampian following his permanent appointment to the role.

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

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

d) Non Executive Board Members who were members of Transitional Leadership Groups for the Health and Social Care Partnerships and who assume additional responsibilities during the year received additional remuneration.

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT

ii) STAFF REPORT

1. Staff Governance

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

2. The Workforce

Although the number of nurses and midwives employed within the Board has increased by 88 wte during the year, recruitment of staff in clinical roles continued to remain a key challenge, particularly noticeable for Senior Medical staff and in critical skilled nursing roles, for example, theatre nursing. In order to ensure a safe and effective service and to meet our demand and capacity challenges in the short term we continued to use high levels of agency medical and nursing staff to cover critical roles. During the year the Board also continued to apply, in partnership, a robust vacancy management and redeployment process to ensure staff were deployed to the areas of greatest need and the Nursing Resources Group continued to oversee a strategic improvement in the planning, deployment and investment in nursing and midwifery staffing.

Longer term our priority is to reduce our dependency on agency staffing through the development and retention of our existing staff. The Board has recently implemented a number of key service changes including a comprehensive surgical transformation programme and improvements to the cancer pathway and we have continued to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps as we redesign our clinical service delivery and to support leadership development in our workforce.

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

The following table summarises total staff numbers for 2016/17 and the prior year:

Staff Type	Whole Time Equivalent 2016/17 Annual Mean	Whole Time Equivalent 2015/16 Annual Mean
Governance	34.7	35.9
Hospital & Community Services	9,332.2	9,060.0
Non Clinical Services	3,653.4	3,785.1
Board Total Average Staff	13,020.3	12,881.0
Permanent Staff	11,040.2	10,992.2
Staff with Short Term Contract	1,713.0	1,719.6
Inward Secondees	6.2	8.7
Agency Staff	268.8	175.4
Outward Secondees	-7.9	-14.9
Board Total Average Staff	13,020.3	12,881.0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure.	6.7	4.9

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

The following table summarises total staff costs for 2016/17 and the prior year:

STAFF COSTS	Executive Board Members £'000	Non Executive Board Members £'000	Permanent Staff £'000	Inward Secondees £000s	Other Staff £'000	Outward Secondees £'000	2016/17 Total £'000	2015/16 Total £'000
Salaries and wages	562	306	454,743	0	0	(383)	455,228	444,116
Social security costs	76	26	44,400	0	0	0	44,602	34,625
NHS scheme employers' costs	71	9	58,597	0	0	0	58,677	57,084
Inward secondees	0	0	0	585	0	0	585	643
Agency staff	0	0	0	0	23,132	0	23,132	19,009
	709	341	557,740	585	23,132	(383)	582,124	555,457

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:	2016/17 £'000	2015/16 £'000
	415	273

Note :

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in note 23 to the accounts.

HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2016/17 No.	2015/16 No.
Clinicians		
£ 50,001 to £60,000	301	275
£ 60,001 to £70,000	151	152
£ 70,001 to £80,000	89	83
£ 80,001 to £90,000	74	72
£ 90,001 to £100,000	70	64
£100,001 to £110,000	60	67
£110,001 to £120,000	58	60
£120,001 to £130,000	59	54
£130,001 to £140,000	51	42
£140,001 to £150,000	38	37
£150,001 to £160,000	33	30
£160,001 to £170,000	33	29
£170,001 to £180,000	10	16
£180,001 to £190,000	3	2
£190,001 to £200,000	6	8
£200,001 and above	9	8
Other		
£ 50,001 to £ 60,000	48	44
£ 60,001 to £ 70,000	35	30
£ 70,001 to £ 80,000	28	29
£ 80,001 to £ 90,000	7	9
£ 90,001 to £100,000	5	4
£100,001 to £110,000	3	2
£110,001 to £120,000	1	2
£120,001 to £130,000	2	1
£130,001 to £140,000	0	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	1	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	1

Note :

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

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

c) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

3. Staff with a Disability

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2016/17 NHS Grampian employed an average 66.9wte (headcount 82) staff with a disability compared to 57.8wte (headcount 71) in 2015/16.

4. Sickness absence

The attendance management process (iAMS), a partnership approach to return to work, continues to be embedded across the organisation and continues to deliver a short term absence rate which has been consistently below the national average. This has contributed to the achievement of the overall annual sickness absence rate of 4.78% (4.62% in 2015/16), which is one of the lowest in Scotland (Scottish average 5.2%).

5. Staff Composition

	2016/17			2015/16		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	1	4	3	1	4
Non-Executive Directors and Employee Director	7	8	15	10	6	16
Senior Employees	15	17	32	19	22	41
Other	2,520	12,046	14,566	2,456	11,964	14,420
Total Headcount	2,545	12,072	14,617	2,488	11,993	14,481

6. Number of Executive Directors by Salary Band

Band (bands of £5,000)	2016/17	2015/16
	Number of Staff	Number of Staff
65-70		1
90-95	1	
125-130		1
130-135	1	
165-170		1
175-180	1	1
180-185	1	

Note: the staff numbers above are based on headcount and reflect in year turnover in post for Nursing Director in 2015/16. Detailed disclosure information including the names and earnings related information is included in the Remuneration Report on page 30.

7. Expenditure on consultancy

Expenditure on external consultancy during 2016/17 was £88,057 (2015/16 £210,663)

NHS Grampian has used a total of 5 consultancy firms during 2016/17 (7 in 2015/16). These suppliers provided consultancy services in a number of areas including, capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian's own staff and therefore represent a value for money alternative to the direct employment of specialist staff.

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

b) REMUNERATION AND STAFF REPORT (cont)

ii) STAFF REPORT (cont)

8. Off payroll engagements

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

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

9. Exit packages

The following table summarises exit packages agreed in the year. There were no compulsory redundancies in 2016/17 or 2015/16.

	2016/17	2015/16
Exit Package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£10,000 - £25,000		
£150,000 - £200,000	0	1
>£200,000		
Total number of exit Packages by type	0	1
Total Resource Cost (£'000)	0	163

GRAMPIAN HEALTH BOARD

ACCOUNTABILITY REPORT (cont)

c) PARLIAMENTARY ACCOUNTABILITY REPORT

1. Losses and Special Payments

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

The following special payments and losses have been approved by the Board and are included in the financial statements for 2016/17:

	No. of cases 2016/17	£000 2016/17	No. of cases 2015/16	£000 2015/16
Fraud and suspected Fraud	21	27	30	217
Clinical Negligence and Employer Liability claims	55	2,256	73	3,302
Other losses and ex gratia payments	48	89	77	18
Total Special payments and losses	124	2,372	180	3,537

In 2016-17, the Board was required to pay out £0.85 million in respect of a single clinical negligence claim (2015-16: 2 claims, £1.125 million and £0.787 million). No other individual losses or claims with a value exceeding £0.25m were settled during the year.

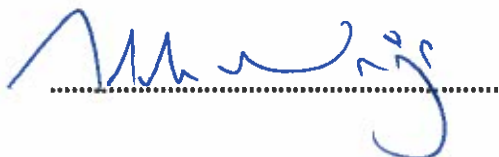
The Board is also required to provide for all clinical negligence and employer liability claims notified to it and which will be settled at a future date. Details of these provisions and an explanation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) can be found in note 17.

2. Fees and Charges

The Board had no commercial trading activity during 2016/17 where the full annual cost exceeded £1 million (2015/16 nil).

3. Contingent Liabilities

Contingent liabilities are disclosed in note 19 and contractual obligations are disclosed in note 20.



Mr Malcolm Wright
Chief Executive
Grampian Health Board

27 June 2017

GRAMPIAN HEALTH BOARD

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

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Grampian Health Board and its group for the year ended 31 March 2017 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2017 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accountable Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 circumstances of the board and its group 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.

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

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

Other information in the annual report and accounts

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

GRAMPIAN HEALTH BOARD

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



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

27 June 2017

GRAMPIAN HEALTH BOARD

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

	NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Aberdeen City	Aberdeenshire	Moray	Group	NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Group *
	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2016 £'000	2016 £'000	2016 £'000	2016 £'000
Clinical Services Costs											
Hospital and Community	1,405,957	0	0	0	0	0	1,405,957	850,864	0	0	850,864
Less: Hospital and Community Income	597,425	0	0	0	0	0	597,425	97,007	0	0	97,007
	808,532	0	0	0	0	0	808,532	753,857	0	0	753,857
Family Health	256,283	0	0	0	0	0	256,283	251,628	0	0	251,628
Less: Family Health Income	8,508	0	0	0	0	0	8,508	8,119	0	0	8,119
	247,775	0	0	0	0	0	247,775	243,509	0	0	243,509
Total Clinical Services Costs	1,056,307	0	0	0	0	0	1,056,307	997,366	0	0	997,366
Administration Costs	3,775	0	0	0	0	0	3,775	3,755	0	0	3,755
Other Non Clinical Services	79,917	6,003	(4,887)	0	0	0	81,033	18,088	6,251	(2,931)	21,408
Less: Other Operating Income	56,097	4,326	(4,887)	0	0	0	55,536	11,038	5,137	(2,931)	13,244
	23,820	1,677	0	0	0	0	25,497	7,050	1,114	0	8,164
Joint Ventures accounted for on an equity basis	0	0	0	(5,209)	(5)	(1,352)	(6,566)	0	0	0	0
Net Operating Costs	1,083,902	1,677	0	(5,209)	(5)	(1,352)	1,079,013	1,008,171	1,114	0	1,008,285
OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)											
Net Loss/(gain) on revaluation of Property Plant and Equipment	(146)	0	0	0	0	0	(146)	23,851	0	0	23,851
Net Loss/(gain) on revaluation of available for sale financial assets	0	(6,390)	0	0	0	0	(6,390)	0	2,296	0	2,296
Total Comprehensive Expenditure/(Income)	1,083,756	(4,713)	0	(5,209)	(5)	(1,352)	1,072,477	1,032,022	3,410	0	1,035,432

*The Integration Joint Boards were consolidated, for the first time, with effect from 1 April 2016 and are therefore not reflected in the prior year's consolidated position.

GRAMPIAN HEALTH BOARD

SUMMARY OF RESOURCE OUTTURN FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	2017 £'000	2016 £'000
Net Operating Costs		1,079,013
Total Non Core Expenditure (see below)		(56,767)
FHS Non Discretionary Allocation		(49,426)
Donated Assets Income		5,267
Endowment Net Movement in Funds		(1,677)
Associates and Joint Ventures accounted for on an equity basis		6,566
Total Core Expenditure		982,976
Core Revenue Resource Limit		<u>984,007</u>
Saving against Core Revenue Resource Limit		<u>1,031</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to / (from) Other Bodies	471	
Depreciation/Amortisation	24,329	
Annually Managed Expenditure - Impairments	8,912	
Annually Managed Expenditure - Creation of Provisions	20,854	
Annually Managed Expenditure - Depreciation of Donated Assets	947	
Additional SGHSCD non-core funding	1,254	
Total Non Core Expenditure		56,767
Non Core Revenue Resource Limit		<u>56,767</u>
Saving/(excess) against Non Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving £'000
Core	984,007	982,976	1,031
Non Core	56,767	56,767	0
Total	<u>1,040,774</u>	<u>1,039,743</u>	<u>1,031</u>

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

	NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Aberdeen City	Aberdeenshire	Moray	Group	NHS Grampian	Charitable Endowment Funds	Intra Group Adjustments	Group*
Note	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2016 £'000	2016 £'000	2016 £'000	2016 £'000
Non-current assets:											
Property, plant and equipment	11	507,624	0	0	0	0	507,624	513,069	0	0	513,069
Intangible assets	10	1,368	0	0	0	0	1,368	1,251	0	0	1,251
Financial assets:											
Financial assets	14	459	42,032	0	0	0	42,491	1,217	39,972	0	41,189
Investments in associates and joint ventures		0	0	5,209	5	1,352	6,566	0	0	0	0
Trade and other receivables	13	62,893	0	0	0	0	62,893	16,552	0	0	16,552
Total non-current assets		572,344	42,032	5,209	5	1,352	620,942	532,089	39,972	0	572,061
Current Assets:											
Inventories	12	5,526	0	0	0	0	5,526	5,594	0	0	5,594
Financial assets:											
Trade and other receivables	13	34,261	57	(381)	0	0	33,937	41,747	94	(2,783)	39,058
Cash and cash equivalents	15	568	6,220	0	0	0	6,828	341	5,328	46	5,715
Assets classified as held for sale	11c	2,167	0	0	0	0	2,167	4,460	0	0	4,460
Total current assets		42,542	6,277	(361)	0	0	48,458	52,142	5,422	(2,737)	54,827
Total assets		614,886	48,309	(361)	5,209	1,352	669,400	584,231	45,394	(2,737)	626,888
Current liabilities											
Provisions	17	(17,203)	(568)	0	0	0	(17,771)	(12,699)	(639)	0	(13,338)
Financial liabilities:											
Trade and other payables	16	(104,022)	(425)	361	0	0	(104,086)	(96,193)	(2,951)	2,737	(96,407)
Total current liabilities		(121,225)	(993)	361	0	0	(121,857)	(108,892)	(3,590)	2,737	(109,745)
Non-current assets (less) net current liabilities		493,661	47,316	0	5,209	1,352	547,543	475,339	41,804	0	517,143
Non-current liabilities											
Provisions	17	(100,179)	(1,304)	0	0	0	(101,483)	(37,496)	(505)	0	(38,003)
Financial liabilities:											
Trade and other payables	16	(27,677)	0	0	0	0	(27,677)	(28,454)	0	0	(28,454)
Total non-current liabilities		(127,856)	(1,304)	0	0	0	(129,160)	(65,952)	(505)	0	(66,457)
Assets less liabilities		365,805	46,012	0	5,209	1,352	418,363	409,387	41,299	0	450,686
Taxpayers' Equity											
General fund		288,849	0	0	0	0	288,849	327,553	0	0	327,553
Revaluation reserve		76,956	9,332	0	0	0	86,288	61,834	6,764	0	68,618
Other reserves		0	36,680	0	0	0	36,680	0	34,515	0	34,515
Other reserves- Joint Venture								0	0	0	0
Total taxpayers' equity		365,805	46,012	0	5,209	1,352	418,363	409,387	41,299	0	450,686

*The Integration Joint Boards were consolidated, for the first time, with effect from 1 April 2016 and are therefore not reflected in the prior years consolidated position.

The Annual Accounts were approved by the Board of Directors and authorised for issue on 27 June 2017


Mr Malcolm Wright
Chief Executive


Mr Alan Gray
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	NHS Grampian 2017 £'000	Charitable Endowment Funds 2017 £'000	Intra Group Adjustments 2017 £'000	Group 2017 £'000	NHS Grampian 2016 £'000	Charitable Endowment Funds 2016 £'000	Intra Group Adjustments 2016 £'000	Group 2016 £'000
Cash flows from operating activities									
Net operating cost		(1,083,902)	(1,677)	0	(1,085,579)	(1,008,171)	(1,114)	0	(1,009,285)
Adjustments for non-cash transactions	3	26,953	0	0	26,953	27,246	0	0	27,246
Add back: interest payable recognised in net operating cost	3	1,803	0	0	1,803	1,827	0	0	1,827
Investment income		0	(1,624)	0	(1,624)	0	(1,670)	0	(1,670)
(increase)/decrease in trade and other receivables	18	(35,229)	37	(2,402)	(37,594)	(4,160)	(3)	0	(4,163)
(increase)/decrease in inventories	18	68	0	0	68	(507)	0	0	(507)
Increase/(decrease) in trade and other payables	18	1,862	(2,526)	2,376	1,712	1,911	1,922	(46)	3,787
Increase/(decrease) in provisions	18	67,185	728	0	67,913	2,558	70	0	2,628
Net cash outflow from operating activities		(1,021,260)	(5,062)	(26)	(1,026,348)	(979,296)	(796)	(46)	(980,137)
Cash flows from investing activities									
Purchase of property, plant and equipment		(18,723)	0	0	(18,723)	(13,529)	0	0	(13,529)
Purchase of intangible assets		(619)	0	0	(619)	(160)	0	0	(160)
Investment Additions		(168)	(7,921)	0	(8,089)	(921)	(10,100)	0	(11,021)
Proceeds of disposal of property, plant and equipment		3,116	0	0	3,116	1,828	0	0	1,828
Receipts from sale of investments		0	12,251	0	12,251	0	10,792	0	10,792
Interest and dividends received		0	1,624	0	1,624	0	1,670	0	1,670
Net cash outflow from investing activities		(16,394)	5,954	0	(10,440)	(12,782)	2,362	0	(10,420)
Cash flows from financing activities									
Funding		1,040,174	0	0	1,040,174	994,552	0	0	994,552
Movement in general fund working capital		247	0	0	247	101	0	0	101
Cash drawn down		1,040,421	0	0	1,040,421	994,653	0	0	994,653
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(717)	0	0	(717)	(647)	0	0	(647)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(1,803)	0	0	(1,803)	(1,827)	0	0	(1,827)
Net Financing		1,037,901	0	0	1,037,901	992,179	0	0	992,179
Net increase/(decrease) in cash and cash equivalents in the period		247	892	(26)	1,113	101	1,521	46	1,668
Cash and cash equivalents at the beginning of the year		341	5,328	46	5,715	240	3,807	0	4,047
Cash and cash equivalents at the end of the year	15	588	6,220	20	6,828	341	5,328	46	5,715

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

	NHS GRAMPIAN			CHARTABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000
	General Fund £'000	Revaluation Reserve £'000	Total Board Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	
Balance at 31 March 2016	327,553	81,834	409,387	34,515	6,784	41,299	0	0	0	450,686
Changes in taxpayers' equity for 2016-17										
Net loss on revaluation/indexation of property, plant and equipment and assets held for sale	0	146	146	0	0	0	0	0	0	146
Net gain (loss) on revaluation of financial assets	0	0	0	3,842	2,548	6,390	0	0	0	6,390
Impairment of property, plant and equipment	0	(6,912)	(6,912)	0	0	0	0	0	0	(6,912)
Revaluation & impairments taken to operating costs	0	6,912	6,912	0	0	0	0	0	0	6,912
Transfers between reserves	5,024	(5,024)	0	0	0	0	0	0	0	0
Net operating cost for the year	(1,083,902)	0	(1,083,902)	(1,677)	0	(1,677)	5,209	5	1,352	(1,076,013)
Total recognised income and expense for 2016-17	(1,078,878)	(4,878)	(1,083,756)	2,165	2,548	4,713	5,209	5	1,352	(1,072,477)
Funding:										
Drawn down	1,040,421	0	1,040,421	0	0	0	0	0	0	1,040,421
Movement in General Fund Creditor	(247)	0	(247)	0	0	0	0	0	0	(247)
Balance at 31 March 2017	288,849	76,956	365,805	36,680	9,332	46,012	5,209	5	1,352	418,383

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	NHS GRAMPIAN			CHARTABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000
	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	Individual Endowment Funds Restated £'000	Revaluation Reserve Restated £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000	
Balance at 31 March 2015	337,256	109,601	446,857	35,213	9,496	44,709	0	0	0	491,566
Changes in taxpayers' equity for 2015-16										
Net gain on revaluation/indexation of property, plant and equipment	0	(23,851)	(23,851)	0	0	0	0	0	0	(23,851)
Net gain (loss) on revaluation of financial assets	0	0	0	416	(2,712)	(2,296)	0	0	0	(2,296)
Impairment of property, plant and equipment	0	(6,238)	(6,238)	0	0	0	0	0	0	(6,238)
Revaluation & impairments taken to operating costs	0	6,238	6,238	0	0	0	0	0	0	6,238
Transfers between reserves	3,916	(3,916)	0	0	0	0	0	0	0	0
Net operating cost for the year	(1,008,171)	0	(1,008,171)	(1,114)	0	(1,114)	0	0	0	(1,009,285)
Total recognised income and expense for 2015-16	(1,004,255)	(27,767)	(1,032,022)	(898)	(2,712)	(3,410)	0	0	0	(1,035,432)
Funding:										
Drawn down	994,653	0	994,653	0	0	0	0	0	0	994,653
Movement in General Fund Debtor	(101)	0	(101)	0	0	0	0	0	0	(101)
Balance at 31 March 2016	327,553	81,834	409,387	34,515	6,784	41,299	0	0	0	450,686

*The Integration Joint Boards were consolidated, for the first time, with effect from 1 April 2016 and are therefore not reflected in the prior years consolidated position.

GRAMPIAN HEALTH BOARD

NOTES TO THE ACCOUNTS

Note 1. ACCOUNTING POLICIES

1) Authority

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

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

1(a) Disclosure of new accounting standards

The following new standards, amendments and interpretations became effective in 2016/17 for the first time:

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: Change in methods of disposal (amendment);
- IFRS 7 - Financial Instruments: Disclosures: Servicing Contracts (amendment);
- IFRS 7 - Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements (amendment);
- IFRS 11 – Accounting for acquisitions of interests in joint operations (amendment);
- IFRS 10, IFRS 12, IAS 28 - Investment entities: applying the Consolidation Exception (amendment)
- IAS 1 – Disclosure Initiative (amendment);
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation (amendment);
- IAS 16 and IAS 41 - Bearer Plants (amendment);
- IAS 19 - Employee Benefits - Discount rate: regional market issue (amendment);
- IAS 27 – Equity Method in Separate Financial Statements (amendment); and
- IAS 34 - Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report" (amendment).

The impact on the financial statements as a result of the above is expected to be minimal.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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

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

1(c) Standards issued but not yet effective

- The following standards have been issued but are not yet effective:
- IFRS 9 – Financial instruments (new);
- IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates or joint (amendment);
- IFRS 14 – Regulatory Deferral Accounts (new);
- IFRS 15 – Revenue from Contracts with Customers (IAS 18 replacement – revenue recognition);
- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).
- IAS 7 - Disclosure Initiative (issued in January 2016) (amendment); and
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) (amendment).

IFRS 16 will be effective from financial year 2020/21 and will require most leased buildings, plant and equipment to be included as an asset with a corresponding liability on the Balance Sheet. Otherwise the impact on the financial statements as a result of the above is expected to be minimal.

2) Basis Of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board, who are appointed by Scottish Ministers.

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

The basis of consolidation used is Merger Accounting. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

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

3) Prior Year Adjustments

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

4) Going Concern

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

5) Accounting Convention

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

6) Funding

6 (a) Grampian Health Board

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit (RRL). Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund. All other income receivable by the board that is not classed as funding is recognised in the year in which it is receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

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

Non discretionary funding 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 in which case it is recognised in the Balance Sheet.

6(b) NHS Grampian Endowment Funds

All incoming resources are recognised once the NHS Grampian Endowment Funds has received its entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability. Legacies and donations to the NHS Grampian Endowment Funds are accounted for as incoming resources upon confirmation of legal entitlement and classified as restricted or unrestricted based on the donors stated wishes. Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

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

7) Property, plant and equipment

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

7(a) Recognition

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

All assets falling into the following categories are capitalised:

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

7(b) Measurement

Valuation:

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

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

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

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

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

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

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

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

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

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

Subsequent expenditure:

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

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

Revaluations and Impairment:

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

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

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

7(c) Depreciation

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

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

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

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(a) Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets :

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

Expenditure on research is not capitalised.

Software:

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

Software licences:

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

Websites:

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

8(b) Measurement

Valuation:

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

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

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

Revaluation and impairment:

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

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

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

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

8 (c) Amortisation

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

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

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

	Useful Life
Information technology	2-5

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

9) Non-current assets held for sale

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

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

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

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, as set out above.

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

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

12) Leasing

12(a) Finance leases

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

12(b) Operating leases

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

12(c) Leases of land and buildings

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

12(d) HUB Schemes

Transactions financed as revenue transactions through the Scottish Government's HUB initiative are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories. The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

13) Impairment of non-financial assets

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

14) General Fund Receivables and Payables

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

15) Inventories

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

16) Losses and Special Payments

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

17) Employee Benefits

17(a) Short-term Employee Benefits

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

17(b) Pension Costs

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

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

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

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

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

18) Clinical and Medical Negligence Costs

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

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

19) Related Party Transactions

Material related party transactions are disclosed in note 27 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

20) Value Added Tax

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

21) Provisions

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

22) Contingencies

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

Contingent liabilities are defined as:

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

23) Corresponding Amounts

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

24) Financial Instruments

24(a) Financial assets

Classification

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

(i) Loans and receivables

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

(ii) Available for sale financial assets

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

Recognition and measurement

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

(i) Loans and receivables

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

(ii) Available for sale financial assets

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

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

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

24)(b) Financial Liabilities

Classification

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

Other financial liabilities

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

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

Recognition and measurement

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

Other financial liabilities

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

25) Segmental reporting

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

Operating segments do not directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health, Other Non-Clinical Services and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

26) Cash and cash equivalents

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

Note 1. ACCOUNTING POLICIES (cont)

27) Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

28) Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in note 26 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

GRAMPIAN HEALTH BOARD

Note 1. ACCOUNTING POLICIES (cont)

29) Key sources of judgement, estimation and uncertainty

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

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

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

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

Fair Value of Property, Plant & Equipment: Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2017, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 7 above.

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

GRAMPIAN HEALTH BOARD

2. STAFF COSTS

Total staff costs for the year to 31 March 2017 were £582.1 million (2016: £555.6 million). Further detail and analysis of staff costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

3. OTHER OPERATING COSTS

	Note	2016/17 £'000	2015/16 £'000
Expenditure Not Paid In Cash			
Depreciation	11a	23,827	25,277
Amortisation	10	502	632
Depreciation Donated Assets	11b	947	851
Impairments on PPE charged to SOCNE	11	9,476	6,238
Reversal of Impairments on PPE charged to SOCNE	11a	(564)	0
Funding Of Donated Assets	11b	(5,267)	(3,751)
Profit on disposal of property, plant and equipment		(1,968)	(2,001)
Total Expenditure Not Paid In Cash		26,953	27,246
Interest Payable			
PFI Finance lease charges allocated in the year	22	1,803	1,827
Total Interest Payable		1,803	1,827
Statutory Audit			
Gramplan Health Board External auditor's remuneration and expenses *		199	273

Note :

* In 2016/17 the appointed auditor For Gramplan health Board was Gillian Woolman, Assistant Director, Audit Scotland and in 2015/16 the appointed auditor was Deloitte LLP.

During the year the Board purchased the following additional services from Deloitte LLP :

Review of Clinical Governance Arrangements	0	9
Taxation liability re out of hours services	0	9
Risk analysis re property investments	0	6
Annual audit of NHS Gramplan Endowment Funds	8	8
	8	32

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2016/17 £'000	2015/16 £'000
BY PROVIDER		
Treatment in Board area of NHSScotland Patients	840,859	785,870
Other NHSScotland Bodies	14,607	13,604
Health Bodies outside Scotland	1,632	1,763
Primary care bodies	50	40
Private sector	4,067	7,886
Community Care		
Resource Transfer	33,624	35,384
Contribution of Health Board to Intergrated Joint Board	505,877	0
Contributions to Voluntary Bodies and Charities	4,250	5,315
Total NHSScotland Patients	1,404,966	849,862
Treatment of UK residents based outside Scotland	991	1,002
Total Hospital & Community Health Service	1,405,957	850,864

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget 2016/17 £'000	Non Discretionary 2016/17 £'000	Total 2016/17 £'000	Total 2015/16 £'000
Primary Medical Services	88,714	-	88,714	87,285
Pharmaceutical Services	103,524	16,335	119,859	117,561
General Dental Services	7,855	29,528	37,383	36,526
General Ophthalmic Services	90	10,237	10,327	10,256
Total	200,183	56,100	256,283	251,628

6. ADMINISTRATION COSTS

	2016/17 £'000	2015/16 £'000
Board members' remuneration	1,050	979
Administration of Board Meetings and Committees	166	128
Corporate Governance and Statutory Reporting	528	577
Health Planning, Commissioning and Performance Reporting	906	923
Treasury Management and Financial Planning	455	445
Public Relations	670	703
Total Administration Costs	3,775	3,755

GRAMPIAN HEALTH BOARD

7. (a) OTHER NON CLINICAL SERVICES - NHS GRAMPIAN

	2016/17 £'000	2015/16 £'000
Compensation payments - Clinical *	68,944	7,064
Compensation payments - Other *	232	(4)
Pension enhancement & redundancy	175	324
Patients' Travel Attending Hospitals	130	146
Patients' Travel Highlands and Islands scheme	11	15
Health Promotion	3,472	3,613
Public Health	3,145	2,979
Public Health Medicine Trainees	123	151
Emergency Planning	154	143
Other	3,531	3,657
Total Other Non Clinical Services	79,917	18,088

Note :

* Expenditure on clinical and other compensation payments reflects the net impact of claims arising during the year and reversal of provisions made in prior years and no longer required, based on the most recent advice from the Central Legal Office.

7. (b) OTHER NON CLINICAL SERVICES - CHARITABLE ENDOWMENT FUNDS

	2016/17			2015/16		
	Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
Patient & Staff Education and Welfare	349	391	740	678	924	1,600
Clinical Research	356	1,111	1,467	30	835	865
Purchase of New Equipment	183	775	958	366	536	902
Infrastructure Improvements	2,379	268	2,647	416	2,300	2,716
Investment management	54	137	191	30	138	168
Total Charitable Endowment Funds	3,321	2,682	6,003	1,518	4,733	6,251

8. (a) OPERATING INCOME - NHS GRAMPIAN

	2016/17 £'000	2015/16 £'000 **
Hospital and Community Health Services Income		
NHSScotland Bodies		
Boards **	73,180	73,364
NHS Non-Scottish Bodies **	1,907	1,427
Non NHS		
Private Patients	784	727
Compensation Income	1,302	1,568
Other Hospital and Community Health Services Income **	21,962	19,921
Income for services commissioned by the Intergration Joint Board	498,280	0
Total Hospital and Community Health Services Income	597,425	97,007
Family Health Service Income		
Unified	1,834	1,937
Non Discretionary		
General Dental Services	6,674	6,482
Total Family Health Services Income	8,508	8,119
Other Operating Income		
NHS Scotland Bodies **	295	114
Contributions in respect of clinical and medical negligence claims *	48,372	4,972
Profit on disposal of property, plant and equipment	1,668	2,001
Donated Asset Additions	5,267	3,751
Other **	195	200
Total Other Operating Income	56,097	11,038
Total Income	662,030	116,164
Of the above, the amount derived from NHS bodies was	73,475	73,478

Notes :

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

** Prior year figures have been restated to realign income generated from hospital and community health services and income generated through other activities.

8. (b) OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2016/17			2015/16		
	Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
Total Income						
Donations	22	1,090	1,112	85	1,977	2,062
Legacies	865	725	1,590	0	1,405	1,405
Investment Income	1,127	497	1,624	328	1,344	1,670
Total Charitable Endowment Funds	2,014	2,312	4,326	411	4,726	5,137

GRAMPIAN HEALTH BOARD

9. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2016/17 £'000	2015/16 £'000
EXPENDITURE			
Acquisition of Intangible Assets	10	619	160
Acquisition of property, plant and equipment	11	24,383	10,564
Donated Asset Additions	11b	5,267	3,751
Investments in Hub Co.		168	921
Gross Capital Expenditure		30,437	15,396
INCOME			
Net book value of disposal of property, plant and equipment		1,555	34
Value of disposal of Non-Current Assets held for sale	11c	2,293	358
Hub repayment of investment		926	4
Donated Asset Income		5,267	3,751
Gross Capital Income		10,041	4,147
Net Capital Expenditure		20,396	11,249
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Core Capital Resource Limit		12,099	11,249
Non Core Capital Resource Limit		8,297	0
Total Capital Resource Limit		20,396	11,249
Saving/(excess) against Total Capital Resource Limit		0	0

GRAMPIAN HEALTH BOARD

10. INTANGIBLE ASSETS

2016/17

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

PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
Cost or Valuation:				
As at 1 April 2015	2,094	2,058	5	4,157
Additions	110	50	0	160
Disposals	0	(11)	0	(11)
As at 31 March 2016	2,204	2,097	5	4,306
Amortisation				
As at April 2015	962	1,467	5	2,434
Provided during the year	401	231	0	632
Disposals		(11)		(11)
As at 31 March 2016	1,363	1,687	5	3,055
Net Book Value at 1 April 2015	1,132	591	0	1,723
Net Book Value at 31 March 2016	841	410	0	1,251

GRAMPIAN HEALTH BOARD

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

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
As at 1 April 2016	30,675	406,349	5,778	2,682	126,927	27,133	4,974	6,923	611,441
Additions	0	6,028	0	373	3,121	2,577	11	12,273	24,383
Completions	0	6,744	0	0	0	0	0	(6,744)	0
Transfers to assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	1,125	(13,363)	(712)	0	0	0	0	0	(12,950)
Impairment Charge	(201)	(6,707)	(1,681)	0	0	0	0	0	(8,589)
Impairment Reversal	22	480	6	0	0	0	0	0	508
Disposals	(1,550)	0	0	(88)	(873)	0	0	0	(2,511)
As at 31 March 2017	30,071	399,531	3,391	2,967	129,175	29,710	4,985	12,452	612,282
Depreciation									
As at 1 April 2016	0	2,182	0	2,348	83,928	22,532	3,587	0	114,577
Provided during the year	0	13,073	223	104	8,525	1,665	237	0	23,827
Revaluation	0	(12,791)	(223)	0	0	0	0	0	(13,014)
Disposals	0	0	0	(88)	(868)	0	0	0	(956)
As at 31 March 2017	0	2,464	0	2,364	91,585	24,197	3,824	0	124,434
Net Book Value at 1 April 2016	30,675	404,167	5,778	334	42,999	4,601	1,387	6,923	496,864
Net Book Value at 31 March 2017	30,071	397,067	3,391	603	37,590	5,513	1,161	12,452	487,848
Open Market Value of Land in Land and Dwellings Included Above	2,120								
Asset financing:									
Owned	30,071	370,880	3,391	603	37,590	5,513	1,161	12,452	461,661
Finance leased	0	5,880	0	0	0	0	0	0	5,880
On-balance sheet HUB contracts	0	20,307	0	0	0	0	0	0	20,307
Net Book Value at 31 March 2017	30,071	397,067	3,391	603	37,590	5,513	1,161	12,452	487,848

GRAMPIAN HEALTH BOARD

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - continued

PRIOR YEAR

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
As at 1 April 2015	36,840	445,010	6,335	2,838	123,409	27,186	4,989	9,052	655,659
Additions *	93	(1,576)	0	50	5,195	816	7	5,979	10,564
Completions	0	8,108	0	0	0	0	0	(8,108)	0
Transfers to assets held for sale	(4,460)	0	0	0	0	0	0	0	(4,460)
Revaluation	(816)	(40,393)	(515)	0	0	0	0	0	(41,724)
Impairment Charge	(982)	(4,800)	(42)	0	0	0	0	0	(5,824)
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	(206)	(1,677)	(869)	(22)	0	(2,774)
As at 31 March 2016	30,675	406,349	5,778	2,682	126,927	27,133	4,974	6,923	611,441
Depreciation									
As at 1 April 2015	0	6,557	59	2,411	76,739	21,336	3,364	0	110,466
Provided during the year	0	13,748	244	138	8,837	2,065	245	0	25,277
Revaluation	0	(18,123)	(303)	0	0	0	0	0	(18,426)
Disposals	0	0	0	(201)	(1,648)	(869)	(22)	0	(2,740)
As at 31 March 2016	0	2,182	0	2,348	83,928	22,532	3,587	0	114,577
Net Book Value at 1 April 2015	36,840	438,453	6,276	427	46,670	5,850	1,625	9,052	545,193
Net Book Value at 31 March 2016	30,675	404,167	5,778	334	42,999	4,601	1,387	6,923	496,864
Open Market Value of Land in Land and Dwellings Included Above	3,030								
Asset financing:									
Owned	30,675	373,382	5,778	334	42,999	4,601	1,387	6,923	466,079
Finance leased	0	6,221	0	0	0	0	0	0	6,221
On-balance sheet HUB contracts	0	24,564	0	0	0	0	0	0	24,564
Net Book Value at 31 March 2016	30,675	404,167	5,778	334	42,999	4,601	1,387	6,923	496,864

Note :

*The credit figure shown as buildings additions reflects expenditure held as under construction in 2015/16 which on completion of the scheme has resulted in a net transfer of expenditure to revenue operating costs in 2016/17.

GRAMPIAN HEALTH BOARD

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets)

	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation							
As at 1 April 2016	11,595	205	6,791	818	89	1,387	20,885
Additions	206	0	1,448	102	0	3,511	5,267
Completions	1,054	0	0	0	0	(1,054)	0
Revaluation	(292)	0	0	0	0	0	(292)
Impairment Charge	(887)	0	0	0	0	0	(887)
Impairment Reversal	56	0	0	0	0	0	56
Disposals	0	0	0	0	0	0	0
As at 31 March 2017	11,732	205	8,239	920	89	3,844	25,029
Depreciation							
As at 1 April 2016	1	169	4,246	227	37	0	4,680
Provided during the year	374	11	475	81	6	0	947
Revaluation	(374)	0	0	0	0	0	(374)
Disposals	0	0	0	0	0	0	0
As at 31 March 2017	1	180	4,721	308	43	0	5,253
Net Book Value at 1 April 2016	11,594	36	2,545	591	52	1,387	16,205
Net Book Value at 31 March 2017	11,731	25	3,518	612	46	3,844	19,776
Asset financing: Owned	11,731	25	3,518	612	46	3,844	19,776
Net Book Value at 31 March 2017	11,731	25	3,518	612	46	3,844	19,776

GRAMPIAN HEALTH BOARD

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - continued

PRIOR YEAR

	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation							
As at 1 April 2015	12,536	205	4,925	818	89	0	18,573
Additions	490	0	1,874	0	0	1,387	3,751
Revaluation	(1,017)	0	0	0	0	0	(1,017)
Impairment Charge	(414)	0	0	0	0	0	(414)
Disposals	0	0	(8)	0	0	0	(8)
As at 31 March 2016	11,595	205	6,791	818	89	1,387	20,885
Depreciation							
As at 1 April 2015	101	152	3,871	146	31	0	4,301
Provided during the year	364	17	383	81	6	0	851
Revaluation	(464)	0	0	0	0	0	(464)
Disposals	0	0	(8)	0	0	0	(8)
As at 31 March 2016	1	169	4,246	227	37	0	4,680
Net Book Value at 1 April 2015	12,435	53	1,054	672	58	0	14,272
Net Book Value at 31 March 2016	11,594	36	2,545	591	52	1,387	16,205
Asset financing:							
Owned	11,594	36	2,545	591	52	1,387	16,205
Net Book Value at 31 March 2016	11,594	36	2,545	591	52	1,387	16,205

GRAMPIAN HEALTH BOARD

11. (c) ASSETS HELD FOR SALE

The assets held for sale at 31st March 2017 are the upper and lower old Royal Cornhill Hospital (£2.118m) and Maud Hospital (0.05m). The Royal Cornhill Hospital sale agreement was for payment to be received in two equal tranches with NHS Grampian holding a standard security over a defined area of the site until the second payment was received. The first tranche was received on 21 April 2016. The value reflected in this note relates to the area of the site subject to the standard security and for which NHS Grampian held significant risks associated with ownership at the balance sheet date. The second payment was received and the security discharged on 21 April 2017. A firm offer of sale was received for Maud hospital but the buyer did not complete the purchase. The property is now being marketed at auction and is expected to be complete during 2017/18.

	Property, Plant & Equipment	£'000
As at 1 April 2016		4,460
Transfers from property, plant and equipment	11a	0
Disposals of non-current assets held for sale		(2,293)
As at 31 March 2017		<u>2,167</u>

PRIOR YEAR

As at 1 April 2015		358
Transfers from property, plant and equipment	11a	4,460
Disposals of non-current assets held for sale		(358)
As at 31 March 2016		<u>4,460</u>

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

		2017 £'000	2016 £'000
Net book value of property, plant and equipment at 31 March			
Purchased	11a	487,848	496,864
Donated	11b	19,776	16,205
Total		<u>507,624</u>	<u>513,069</u>

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

Net book value of surplus land valued at open market value at 31 March	2,120	3,030
Net book value of surplus buildings valued at open market value at 31 March	928	716

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

Net book value

Finance Leases	5,880	6,221
Hub Contracts	20,307	24,564
	<u>26,187</u>	<u>30,785</u>

Depreciation

Finance leases	282	0
Hub Contracts	469	486
	<u>751</u>	<u>486</u>

12. INVENTORIES

	2017 £'000	2016 £'000
Raw Materials and Consumables	5,526	5,594

GRAMPIAN HEALTH BOARD

13. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2017		Charitable Endowment Funds 2017		Intra Group Adjustments 2017		Group 2017		NHS Grampian 2016		Charitable Endowment Funds 2016		Intra Group Adjustments 2016		Group 2016	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Receivables due within one year																
NHS Scotland Boards	7,831		7,831				7,831		7,197		7,197					7,197
NHS Non-Scottish Bodies	1,026		1,026				1,026		913		913					913
VAT recoverable	1,130		1,130				1,130		1,314		1,314					1,314
Prepayments	4,392		4,392				4,392		6,389		6,389					6,389
Accrued income	7,272		7,272	36	(381)		6,927		4,255	77	4,332					4,332
Other Receivables	5,609		5,609	21			5,630		14,617	17	11,851		(2,783)			11,851
Reimbursement of provisions	5,364		5,364				5,364		4,792		4,792					4,792
Other Public Sector Bodies	1,637		1,637				1,637		2,270		2,270					2,270
Total Receivables due within one year	34,261		34,261	57	(381)		33,937		41,747	94	39,058		(2,783)			39,058
Receivables due after more than one year																
Accrued income	1,666		1,666	0	0		1,666		1,550	0	1,550		0			1,550
Reimbursement of Provisions	61,227		61,227	0	0		61,227		15,002	0	15,002		0			15,002
Total Receivables due after more than one year	62,893		62,893	0	0		62,893		16,552	0	16,552		0			16,552
TOTAL RECEIVABLES	97,154		97,154	57	(381)		96,830		58,299	94	55,610		(2,783)			55,610
The total receivables figure above includes a provision for bad debts of :	742		742	0	0		742		658	0	658		0			658
WGA Classification																
NHSScotland	7,831		7,831	0	0		7,831		7,197	0	7,197		0			7,197
Central Government Bodies	1,330		1,330	0	0		1,330		1,459	0	1,459		0			1,459
Whole of Government Bodies	1,437		1,437	0	0		1,437		2,118	0	2,118		0			2,118
Balances with NHS Bodies in England and Wales	1,026		1,026	0	0		1,026		913	0	913		0			913
Balances with bodies external to Government	85,530		85,530	57	(381)		85,206		46,612	94	43,923		(2,783)			43,923
Total	97,154		97,154	57	(381)		96,830		58,299	94	55,610		(2,783)			55,610

GRAMPIAN HEALTH BOARD

13. TRADE AND OTHER RECEIVABLES (Cont)

	2017 £'000	2016 £'000
Movements on the provision for impairment of receivables are as follows:		
At 1 April	658	562
Provision for debtors impairment	87	100
Receivables written off during the year as uncollectable	(3)	(4)
At 31 March	742	658

As of 31 March 2017, receivables with a carrying value of £0.742 million (2016: £0.658 million) were impaired and provided for. The aging of these receivables is as follows:

	2017 £'000	2016 £'000
Over 6 months past due	742	658

The receivables assessed as individually impaired were mainly English and Welsh Health Bodies, private 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 three months past their due date are not considered impaired. As at 31 March 2017, receivables with a carrying value of £ 2.959 million (2015/16: £2.736 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2017 £'000	2016 £'000
Up to 3 months past due	1,075	1,159
3 to 6 months past due	697	1,109
Over 6 months past due	1,187	468
	2,959	2,736

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

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

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

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

	2017 £'000	2016 £'000
Existing customers with no defaults in the past	2,959	2,736

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.

	2017 £'000	2016 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	96,830	55,610

All non-current receivables are due within two years (2015/16: two 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 £62.893million (2015/16: £16.552 million)

The effective interest rate on non-current other receivables is -0.75% (2015/16: 2.5%).

GRAMPIAN HEALTH BOARD

14. FINANCIAL ASSETS

	NHS Grampian		Charitable Endowment Funds		NHS Grampian		Charitable Endowment Funds	
	2017	2017	2016	2016	2016	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stocks and Bonds **	0	42,032	0	39,972	0	39,972	39,972	39,972
Other*	459	0	459	0	1,217	0	1,217	1,217
TOTAL	459	42,032	42,491	42,491	1,217	39,972	41,189	41,189
At 1 April	1,217	39,972	41,189	41,189	300	42,960	43,260	43,260
Additions	168	7,921	8,089	8,089	921	10,100	11,021	11,021
Disposals	(926)	(12,251)	(13,177)	(13,177)	(4)	(10,792)	(10,796)	(10,796)
Revaluation (deficit)/surplus transferred to equity	0	6,390	6,390	6,390	0	(2,296)	(2,296)	(2,296)
At 31 March	459	42,032	42,491	42,491	1,217	39,972	41,189	41,189
Current	0	0	0	0	0	0	0	0
Non-current	459	42,032	42,491	42,491	1,217	39,972	41,189	41,189
At 31 March	459	42,032	42,491	42,491	1,217	39,972	41,189	41,189

Note:

*Other financial assets comprise a further small shareholding in HUB North of Scotland Ltd an unlisted investment denominated in UK pounds and £459k in the form of non equity long term loans repayable in full with interest over 25 years, to Hub North of Scotland Ltd as part of the financing arrangements for the Aberdeen Health and Care Village, Forbes, Woodside, Inverurie and Foresterhill Health Centres. A working capital loan of £921k made in 2015/16 to Hub North of Scotland Ltd was repaid in full during 2016/17 on completion of financial close for the Inverurie and Foresterhill Health Centre projects.

The investment of £1k in equity share capital with TMR1 Ltd disclosed in prior years was written off during 2016/17 following a decision to dissolve the company.

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

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

GRAMPIAN HEALTH BOARD

16. TRADE AND OTHER PAYABLES

Payables due within one year	NHS Grampian 2017		Charitable Endowment Funds 2017		Intra Group Adjustments 2017		Group 2017		NHS Grampian 2016		Charitable Endowment Funds 2016		Intra Group Adjustments 2016		Group 2016	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NHS Scotland Boards	4,184	0	0	0	0	0	4,184	5,993	0	0	0	0	0	0	5,993	467
NHS Non-Scottish Bodies	282	0	0	0	0	0	282	467	0	0	0	0	0	0	467	341
Amounts Payable to General Fund	588	0	0	0	0	0	588	341	0	0	0	0	0	0	341	26,397
FHS Practitioners	15,607	0	0	0	0	0	15,607	26,397	0	0	0	0	0	0	26,397	2,556
Trade Payables	5,671	0	0	0	0	0	5,671	2,556	0	0	0	0	0	0	2,556	34,049
Accruals	41,150	74	(361)	(361)	0	0	40,863	33,835	2,951	(2,737)	0	0	0	0	34,049	1,440
Deferred income	1,696	0	0	0	0	0	1,696	1,440	0	0	0	0	0	0	1,440	367
Net obligations under Finance Leases	394	0	0	0	0	0	394	367	0	0	0	0	0	0	367	351
Net obligations under PPP/PFI Contracts	384	0	0	0	0	0	384	351	0	0	0	0	0	0	351	10,350
Income tax and social security	11,388	0	0	0	0	0	11,388	10,350	0	0	0	0	0	0	10,350	7,974
Superannuation	8,175	0	0	0	0	0	8,175	7,974	0	0	0	0	0	0	7,974	2,979
Holiday Pay Accrual	3,665	0	0	0	0	0	3,665	2,979	0	0	0	0	0	0	2,979	1,353
Other Public Sector Bodies	9,021	351	0	0	0	0	9,372	1,353	0	0	0	0	0	0	1,353	1,790
Other payables	1,917	0	0	0	0	0	1,917	1,790	0	0	0	0	0	0	1,790	
Total Payables due within one year	104,022	425	(361)	(361)	0	0	104,086	96,193	2,951	(2,737)	0	0	0	0	96,407	

Payables due after more than one year

Net obligations under Finance Leases due within 2 years	292	0	0	0	0	0	292	394	0	0	0	0	0	0	394	
Net obligations under Finance Leases due after 2 years but within 5 years	1,002	0	0	0	0	0	1,002	935	0	0	0	0	0	0	935	
Net obligations under Finance Leases due after 5 years	3,774	0	0	0	0	0	3,774	4,133	0	0	0	0	0	0	4,133	
Net obligations under PPP/PFI Contracts due within 2 years	420	0	0	0	0	0	420	385	0	0	0	0	0	0	385	
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	1,504	0	0	0	0	0	1,504	1,379	0	0	0	0	0	0	1,379	
Net obligations under PPP/PFI Contracts due after 5 years	20,665	0	0	0	0	0	20,665	21,228	0	0	0	0	0	0	21,228	
Total Payables due after more than one year	27,677	0	0	0	0	0	27,677	28,454	0	0	0	0	0	0	28,454	

TOTAL PAYABLES

	131,699	425	(361)	(361)	0	0	131,763	124,647	2,951	(2,737)	0	0	0	0	124,861	
WGA Classification	4,184						4,184	5,993								
NHSScotland	19,656						19,656	18,430								
Central Government Bodies	9,916						9,916	839								
Whole of Government Bodies	282						282	467								
Balances with NHS Bodies in England and Wales	98,651						98,651	98,918								
Balances with bodies external to Government																
Total	131,699						131,699	124,647	2,951	(2,737)	0	0	0	0	124,861	

Borrowings included above comprise:

Finance Leases	5,462						5,462	5,829								
PFI Contracts	22,993						22,993	23,343								
Total	28,455						28,455	29,172								

The carrying amount and fair value of the non-current borrowings are as follows:

Carrying amount																
Finance Leases	5,068						5,068	5,462								
PFI Contracts	22,609						22,609	22,992								
Total	27,677						27,677	28,454								

The carrying amount of payables are denominated in Pound Sterling

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

17. PROVISIONS

NHS GRAMPIAN

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Equal Pay £'000	Total Board £'000
At 1 April 2016	5,360	20,968	23,869	0	50,197
Arising during the year	659	51,596	26,159	0	78,414
Utilised during the year	(447)	(2,099)	(1,750)	0	(4,296)
Unwinding of discount	286	0	(25)	0	261
Reversed unutilised	(136)	(2,863)	(4,195)	0	(7,194)
At 31 March 2017	5,722	67,602	44,068	0	117,382

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 to 31 March 2017

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Equal Pay £'000	Total Board £'000
Payable in one year	403	5,720	11,080	0	17,203
Payable between 2 - 5 years	1,610	61,882	23,760	0	87,252
Payable between 6 - 10 years	1,774	0	1,136	0	2,910
Thereafter	1,935	0	8,082	0	10,017
Total as at 31 March 2017	5,722	67,602	44,068	0	117,382

PRIOR YEAR

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Equal Pay £'000	Total £'000
At 1 April 2015	5,430	19,420	22,776	0	47,626
Arising during the year	388	8,089	1,093	0	9,590
Utilised during the year	(395)	(2,746)	0	0	(3,141)
Unwinding of discount	0	0	0	0	0
Reversed unutilised	(73)	(3,805)	0	0	(3,878)
At 31 March 2016	5,360	20,968	23,869	0	50,197

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 - to 31 March 2016

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Equal Pay £'000	Total £'000
Payable in one year	353	5,328	7,018	0	12,699
Payable between 2 - 5 years	1,417	15,639	9,376	0	26,432
Payable between 6 - 10 years	1,635	0	873	0	2,508
Thereafter	1,955	1	6,602	0	8,558
At 31 March 2014	5,360	20,968	23,869	0	50,197

CHARITABLE ENDOWMENT FUNDS

	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
	0	0	50,197
	1,827	1,827	80,041
	(355)	(355)	(4,651)
	1,144	1,144	1,405
	(544)	(544)	(7,738)
	1,872	1,872	119,254

	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
	568	568	17,771
	1,304	1,304	88,556
	0	0	2,910
	0	0	10,017
	1,872	1,872	119,254

	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
	1,074	1,074	48,700
	482	482	10,072
	(365)	(365)	(3,506)
	0	0	0
	(47)	(47)	(3,925)
	1,144	1,144	51,341

	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
	639	639	13,338
	505	505	26,937
	0	0	2,508
	0	0	8,558
	1,144	1,144	51,341

GRAMPIAN HEALTH BOARD

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 0.24% (2015/16 1.37%) in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

Charitable Endowment Funds

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

Clinical and Medical

The Board holds a provision to meet costs of outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for the gross cost of settlement awards, legal expenses and third party costs discounted by the Treasury discount rate of negative 0.75% in real terms (2015/16 positive 2.5%). The impact of this provision is offset by an associated receivable disclosed in note 13, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS*).

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

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

2016 £000's		Note	2017 £000's
20,968	Provision recognising individual claims against the NHS Board at 31 March	Note 17	67,602
(19,794)	Associated CNORIS receivable at 31 March	Note 13	(66,591)
23,869	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 17	44,058
25,043	Net Total Provision relating to Clinical Negligence and Other Risks at 31 March (**)		45,069

Notes:

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

** The increase in total net provision compared to the prior year relates mainly to the impact of the change in treasury discount rate on the current value of anticipated future claims (negative 0.75% in real terms in 2016/17 compared to positive 2.5% in real terms in 2015/16).

GRAMPIAN HEALTH BOARD

19. CONTINGENT LIABILITIES AND ASSETS

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

	2017	2016
	£000	£000
CONTINGENT LIABILITIES*		
Clinical and medical compensation payments	12,405	5,059
CONTINGENT ASSETS**		
Clinical and medical compensation payments	11,538	4,222

*The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 17, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium risk of NHS Grampian having to make settlement.

**The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in note 17 above.

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

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

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

GRAMPIAN HEALTH BOARD

20. COMMITMENTS

The Board has the following Capital Commitments which have not been provided for in the accounts :

Capital Commitments	2017 £'000	2016 £'000
Contracted		
ARI Phase 2 Backlog Maintenance	0	3,180
Woodend Hospital Boiler replacement	0	556
Inverurie Enabling Works	0	225
Roxburghe House refurbishment	0	243
Additional MRI Scanner Woodend Hospital	0	1,322
Laboratory Services Enabling Works	195	0
ARI Multi Storey Car Park	6,145	0
ENT/Audiology accommodation	30	0
Peterhead Maternity	716	0
Phase 1 ARI - Drainage	129	0
Baird and Anchor	167	0
Fluroscopy Enabling Works	258	0
ARI Mortuary	168	0
Total	7,808	5,526
Authorised but not Contracted		
ARI Phase 2 Backlog Maintenance	1,302	7,289
ENT/Audiology accommodation	0	1,296
Aseptic Pharmacy	0	1,333
Foresterhill Multi Story Car Park	0	8,804
Total	1,302	18,722

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

- In December 2016 NHS Grampian completed financial close on the project agreement with HUB North of Scotland Ltd to replace Foresterhill Health Centre and Inverurie Health and Care Centre. Under the terms of this agreement HUB North of Scotland Ltd will finance, build and maintain the facilities and in return NHS Grampian have a legal commitment to occupy the buildings throughout the 25 year period of the contract from practical completion estimated as April 2018 for Foresterhill and July 2018 for Inverurie. The estimated construction costs to be met by HUB North of Scotland Ltd are £14.9m for Inverurie and £8.2m for Foresterhill and the annual charges to be met by NHS Grampian are estimated at £0.7 million per annum for Foresterhill and £1.2 million per annum for Inverurie.
- In December 2015 NHS Grampian completed agreement on an energy performance contract with a specialist private sector firm. The scheme will deliver a range of energy efficiency measures at Foresterhill, Dr Grays and Royal Cornhill Hospital. Construction work is underway with an estimated operational date for all infrastructure of August 2018. The contractual structure involves NHS Grampian leasing the energy infrastructure under an operating lease, with a 25 year term, from our private sector partner who in turn are contractually committed to deliver guaranteed savings of circa £0.3m per annum from reduced energy consumption. These arrangements are also predicted to reduce overall carbon emissions by circa 16%.

Financial Guarantees, indemnities and letter of comfort

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

GRAMPIAN HEALTH BOARD

21. COMMITMENTS UNDER LEASES

Operating Leases

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

Obligations under operating leases comprise:	2017 £'000	2016 £'000
Land		
Not later than one year	265	240
Later than one year, not later than 2 years	220	236
Later than two year, not later than five years	659	589
Later than five years	1,888	1,861
Total	3,032	2,926
Buildings		
Not later than one year	535	537
Later than one year, not later than 2 years	535	535
Later than two year, not later than five years	1,530	1,583
Later than five years	3,206	3,688
Total	5,806	6,343
Other		
Not later than one year	154	404
Later than one year, not later than 2 years	196	362
Later than two year, not later than five years	541	267
Later than five years	0	0
Total	891	1,033
Amounts charged to Operating Costs in the year were:		
Hire of equipment (including vehicles)	1,231	1,266
Other operating leases	1,278	1,274
Total	2,509	2,540

Finance Leases

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

Obligations under Finance leases comprise:		
Buildings		
Rentals due within one year	983	983
Rentals due between one and two years (inclusive)	815	982
Rentals due between two and five years (inclusive)	2,480	2,461
Rentals due after five years	7,982	8,816
	12,260	13,242
Less interest element	(6,798)	(7,413)
	5,462	5,829

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

GRAMPIAN HEALTH BOARD

22. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - ON BALANCE SHEET

Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14th November 2013, Woodside Fountain Health Centre effective 28 June 2014 and Forres Health and Community Care Centre 9 August 2014. Under the terms of the agreement NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur charges for occupancy, maintenance and running costs. The net book value of assets financed under the HUB initiative is disclosed in note 11(a) and 11(d).

	2017 £'000	2016 £'000
Gross Minimum Lease Payments		
Rentals due within 1 year	2,159	2,152
Due within 1 to 2 years	2,166	2,158
Due within 2 to 5 years	6,534	6,512
Due after 5 years	38,042	40,714
Total	48,901	51,536
Less Interest Element		
Rentals due within 1 year	(1,775)	(1,801)
Due within 1 to 2 years	(1,746)	(1,773)
Due within 2 to 5 years	(5,030)	(5,133)
Due after 5 years	(17,357)	(19,486)
Total	(25,908)	(28,193)
Present value of minimum lease payments		
Rentals due within 1 year	384	351
Due within 1 to 2 years	420	385
Due within 2 to 5 years	1,504	1,379
Due after 5 years	20,685	21,228
Total	22,993	23,343
Service elements due in future periods		
Rentals due within 1 year	761	699
Due within 1 to 2 years	774	760
Due within 2 to 5 years	2,419	2,370
Due after 5 years	16,845	17,715
Total	20,799	21,544
Interest charges	1,803	1,827
Other charges (Contingent rents)	(15)	(7)
Total	1,788	1,820

23. PENSION COSTS

	2017 £000	2016 £000
Pension cost charge for the year	58,677	57,064
Additional Costs arising from early retirement	0	0
Provisions included on the Balance Sheet	5,722	5,360

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 financial statements of the Scottish Public Pensions Agency (SPPA) which can be accessed at the following [link](#).

The National Health Service Superannuation Scheme for Scotland is an unfunded 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.

23. PENSION COSTS (cont)

The most recent actuarial valuation at 31 March 2016 discloses a liability of £44.8 billion (March 2015: £44.1 billion).

For 2016/17, normal employer contributions of £58.7 million were payable to the SPPA (2015/16 £57.1 million) at the rate of 14.9% of pensionable salaries. The total contributions made to the scheme, across all employers, for 2015/16 were £739.2 million (2014/15 £659.8 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2015/16 was 7.7% (2014/15 7.6%).

During 2016/17 NHS Grampian incurred no additional costs arising from the early retirement of staff (2015/16 no additional costs were incurred).

Provisions amounting to £5.72 million (2015/16 £5.36 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2016-17 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The previous NHS Superannuation Scheme (Scotland)

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

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

The 1995 Section

Benefits are calculated on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5.2% and 14.7% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

The 2008 Section

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

GRAMPIAN HEALTH BOARD

24. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS BY CATEGORY FINANCIAL ASSETS

	MRS GRAMPIAN		CHAITABLE ENDOWMENT FUNDS		INTRA GROUP ADJUSTMENTS		CONSOLIDATED	
	Loans and Receivables £'000	Available for sale £'000	Loans and Receivables £'000	Available for sale £'000	Loans and Receivables £'000	Available for sale £'000	Loans and Receivables £'000	Available for sale £'000
At 31 March 2017								
Assets per balance sheet (note 20)	0	459	0	42,032	0	0	0	42,491
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	17,210	0	57	0	(381)	0	16,866	0
Cash and cash equivalents	588	0	6,220	0	(26)	0	6,782	0
	<u>17,798</u>	<u>459</u>	<u>6,277</u>	<u>42,032</u>	<u>(407)</u>	<u>0</u>	<u>23,668</u>	<u>42,491</u>
PROR YEAR								
At 31 March 2016	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets per balance sheet (note 20)	0	1,217	0	39,972	0	0	0	41,189
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	23,605	0	94	0	(2,783)	0	20,916	0
Cash and cash equivalents	341	0	5,328	0	46	0	5,715	0
	<u>23,946</u>	<u>1,217</u>	<u>5,422</u>	<u>39,972</u>	<u>(2,737)</u>	<u>0</u>	<u>26,631</u>	<u>41,189</u>
FINANCIAL LIABILITIES								
At 31 March 2017		Other financial liabilities £'000		Other financial liabilities £'000		Other financial liabilities £'000		Other financial liabilities £'000
Liabilities per balance sheet								
Finance lease liabilities		5,462		0		0		5,462
HAB Service Concession Liabilities		22,983		0		0		22,983
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		77,801		425		(381)		77,865
		<u>106,246</u>		<u>425</u>		<u>(381)</u>		<u>106,320</u>
PROR YEAR								
At 31 March 2016		Other financial liabilities £'000		Other financial liabilities £'000		Other financial liabilities £'000		Other financial liabilities £'000
Liabilities per balance sheet								
Finance lease liabilities		5,829		0		0		5,829
HAB Service Concession Liabilities		23,343		0		0		23,343
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		69,718		2,951		(2,737)		69,932
		<u>98,890</u>		<u>2,951</u>		<u>(2,737)</u>		<u>99,104</u>

24. FINANCIAL INSTRUMENTS (cont)
b) FINANCIAL RISK FACTORS

Exposure to Risk

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

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

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

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

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

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

• **Credit Risk**

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

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

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

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

• **Liquidity Risk**

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

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

Liquidity Risk

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

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2016				
PFI Liabilities	2,152	2,158	6,512	40,714
Finance lease liabilities	983	982	2,461	8,816
Trade and other payables excluding statutory liabilities	69,932	0	0	0
Total	73,067	3,140	8,973	49,530

24. FINANCIAL INSTRUMENTS - continued
b) FINANCIAL RISK FACTORS - continued

• **Market Risk**

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

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

iii) Price Risk

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

• **FAIR VALUE ESTIMATION**

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

The carrying value of Stocks and Bonds (relating to charitable endowment funds) is market value. The inputs to the valuation technique used to measure the fair value of all Stocks and Bonds as disclosed in Note 14 have been assessed as level 1 in the fair value hierarchy defined in IFRS 13 i.e. they are based on quoted bid prices in an active market for identical assets and liabilities. No Stocks or Bonds have been valued using level 2 or 3 inputs in the current or prior year.

25. SEGMENT INFORMATION

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

	Aberdeen City H&SCP £'000	Aberdeenshire H&SCP £'000	Moray H&SCP £'000	Acute Sector £'000	Corporate & others £'000	Mental Health & Learning Disabilities £'000	£'000
Grampian Health Board Net operating cost 2017	179,793	176,764	75,215	423,100	193,204	35,826	1,083,902
PRIOR YEAR							
Grampian Health Board Net operating cost 2016	73,751	66,219	24,547	412,613	372,270	58,771	1,008,171

The movement in net operating costs compared to the prior year relates mainly to the combined impact of the following cost movements :

- Impact of the 2016/17 pay award (1.29%),
- An increase in the rate of employers national insurance contributions from 1 April 2016 (1.88%),
- An increase of circa 200 w.t.e in the average number of staff employed,
- The impact of the change in discount factor on the provision for clinical negligence costs and
- An increase in expenditure on social care services funded through the Health allocation

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:

	2016	Gross Inflows	Gross Outflows	2017
	£000	£000	£000	£000
Monetary amounts including bank balances	464	245	(330)	379

27. RELATED PARTIES

Integration Joint Boards (IJB's)

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 three Integration Joint Boards (IJB's) were established in Grampian on 6 February 2016; Moray, Aberdeen City and Aberdeenshire. Executive and Non Executive Directors of the NHS Grampian Board are appointed to represent NHS Grampian as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between NHS Grampian and the relevant Local Authority. Full delegation of functions and resources from both NHS Grampian and the Local Authorities was effective 1 April 2016 and the financial results of each IJB for 2016/17 are consolidated, as a Joint Venture, in to the financial statements of NHS Grampian.

NHS Grampian had the following transactions with each IJB in 2016/17 :-

- Aberdeen City – Income £188.35 million, expenditure £194 million and a year end creditor balance of £5.65 million
- Aberdeenshire – Income £174.23 million, expenditure £174.78 million and a year end creditor balance £0.55 million
- Moray – Income £72.56 million, expenditure £73.96 million and a year end creditor balance of £1.4 million.

NHS Grampian Endowment Funds

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2017 was £46.012 million (2015/16 £41.3 million). During the year payments totalling £4.392 million (2015/16 £2.648 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities including infrastructure improvement for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.495 million (2015/16 £0.283 million) from NHS Grampian mainly from income for research activities.



Grampian Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

 
Signed by the authority of the Scottish Ministers

Dated 10/2/2006