

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

ACCOUNTS 2008-2009

Authorised for issue as at 26 June 2009

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GRAMPIAN HEALTH BOARD ANNUAL ACCOUNTS

DIRECTORS' REPORT

Naming Convention

NHS Grampian is the common name of Grampian Health Board.

Date of Issue

Financial statements were approved and authorised for issue by the Board on the 26 June 2009.

Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the Financial Reporting Manual (FReM). The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 60 of these accounts.

The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2007/08 to 2010/11, the Auditor General appointed David McConnell, Assistant Director (Health) Audit Scotland, to undertake the audit of Grampian Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

Grampian NHS Board is a board of governance whose membership reflects the role and function of NHS Grampian, as detailed within the Operating and Financial Review on page 8.

Board members are selected and appointed through the public appointment process on the basis of their current organisational roles and particular expertise which enables them to contribute to the decision making process at a strategic level.

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

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

Non-Executive Members

Mr David Anderson (appointed 1 August 2008)
Councillor Lee Bell
Mrs Barbara Bruce
Ms Margaret Burns (resigned 31 July 2008)
Dr David Cameron (Chair)
Councillor Katharine Dean
Professor Neva Haites
Mrs Judith Hendry (resigned 31 August 2008)
Councillor Bill Howatson
Mrs Elizabeth McDade
Mr Terry Mackie (appointed 1 August 2008)
Professor Valerie Maehle
Mr Charles Muir
Dr John Reid (appointed 1 September 2008)
Mr Michael Scott
Mr Gordon Stephen

Executive Members

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

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

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 by contacting the Legal Advisor on 01224 558496. The Board Members declared in advance any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. During the year, no Board Member had to exempt themselves from any decision because of such a relationship.

Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 24 and the Remuneration Report.

Remuneration for Non Audit Work

PricewaterhouseCoopers who provide an Internal Audit Service to NHS Grampian were paid £77,000 for non-audit work.

Related Party Transactions

During the year, NHS Grampian made payments of £684,000 to the Alford Medical Group, in which Dr John Reid, a non-executive member (appointed 1 September 2008), is a partner. These payments were in respect of services provided by the Alford Medical Group to NHS Grampian, as part of their General Medical Services contract. A balance of £37,000 was owed by NHS Grampian to the Alford Medical Group at 31 March 2009.

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.

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, NHS Grampian endeavoured to comply with the principles of the Better Payment Practice Code (<http://www.payontime.co.uk>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.

In 2008/09, the average credit taken was 24 days (2007/08: 38 days). 68% of invoices by value (2007/08 67%) and 61% of invoices by volume (2007/08 60%) were paid within 30 days. Payment performance has been actively managed during the year.

Corporate Governance

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

The main functions of the committees, which under SGHD guidance must exist at unified NHS Board level, together with membership during 2008/09, were as follows:

Clinical Governance Committee

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

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

Membership: Mr Charles Muir (Chair), Councillor Lee Bell, Professor Neva Haites, Mr Terry Mackie (from 1 August 2008), Professor Valerie Maehle, Mr Michael Scott and a public representative.

Audit Committee

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

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

Membership: Ms Margaret Burns (Chair) (until 31 July 2008), Councillor Bill Howatson (Chair from 1 August 2008), Mr David Anderson (from 1 August 2008), Mr Terry Mackie (from 1 August 2008), Mr Charles Muir and Mr Gordon Stephen.

Staff Governance Committee

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

Membership: Mr Michael Scott (Chair), Mr David Anderson (from 1 August 2008), Ms Margaret Burns (until 31 July 2008), Dr David Cameron, Mr Richard Carey, Councillor Katharine Dean, Mr Angus Gordon, Mrs Judith Hendry (until 31 August 2008), Mr Gordon Stephen, Dr John Reid (from 1 September 2008) and staff side representation.

Ethics Committees

North of Scotland Research Ethics Service Committees

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

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

Patient Focus and Public Involvement Committee

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

Membership: Mrs Elizabeth McDade (Chair), Councillor Bill Howatson, Mrs Judith Hendry (until 31 August 2008), Mr Charles Muir, Dr Roelf Dijkhuizen, Dr John Reid (from 1 September 2008), Mr Gordon Stephen and extensive staff, clinical, management and public representation.

Discipline Committee

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

Other Committees

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

Clinical Ethics Committee

Chairperson: Mr Sam McClinton, Consultant Urologist (until 31 December 2008)
Dr Ruth Stephenson, Consultant Anaesthetist (from 1 January 2009)

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

eHealth Committee:

Chairperson: Councillor Katharine Dean

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

Endowment Committee:

Chairperson: Mrs Barbara Bruce

The Endowment Committee oversees the management of the NHS Grampian Endowment Fund, which had assets at 31 March 2009 valued at £25.4 million (31 March 2008 valued at £30.2 million). Since March 2008 the financial markets have seen significant decline as a result of the global financial crisis and as a result there was a deterioration in the value of our endowment funds.

Performance Governance Committee

Chairperson: Dr David Cameron

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

Service Strategy and Redesign Committee

Chairperson: Professor Neva Haites

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

Spiritual Care Committee

Chairperson: Dr David Cameron

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

Disclosure of Information to Auditors

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

Human Resources & Strategic Change

Following the appointment of the Director of Human Resources (HR) and Strategic Change in 2007, the HR structure has been revised and a new post of Head of Strategic Change and Organisational Development created. This has brought together the existing functions of Learning and Development and Workforce Development and Redesign with an additional third strand of Strategic Change. This has permitted closer working with service planning to ensure that cultural change and process change are aligned.

We are also working with Atos Consulting to implement the NHSG approach to Continuous Service Improvement using the Lean methodology. The Executive lead for this is the Director of Human Resources and Strategic Change, supported by the Head of Strategic Change and Organisational Development.

In addition, NHS Grampian made a decision to appoint a Head of Health & Safety, a new position intended to strengthen overall performance and strategic management of health, safety and welfare across the Board.

Following the publication of NHS Grampian's Workforce Plan for 2008/09, we have taken forward the following agreed improvements:

- More detailed workforce information for managers and Occupational Health in relation to sickness absence and for Planners in relation to the Primary Care workforce.
- Development of improved workforce utilisation information and tools, which make appropriate use of the national Nursing and Allied Health Professional tools as well as benchmarking information.
- Development of a medical workforce strategy taking account of new contracts, ways of working and European Working Time Directive requirements.
- Improved integration of service, financial and workforce planning, not only within the corporate Change and Innovation Programmes and Projections, but also at Sector level.

Progress has been made in Learning and Development in a number of areas, including for example:

- Implementation of eKSF (Electronic Knowledge and Skills Framework) to meet the HEAT target has been achieved.
- Implementation of the AT (All-Time) Learning Management System has commenced and we are currently considering a further development so we have an integrated performance management, learning portal and administrative system for all staff.
- Continuation and expansion of the Job Jump Start programme to include more placements for single parents and people on incapacity benefit.

During the course of 2008, we undertook a Work and Wellbeing Survey. On an NHS Grampian wide basis the results were consistent with 20 companies who are top performers in managing stress.

We also participated in the NHS Scotland Staff Survey which showed that we compared very favourably with other NHS Boards in Scotland and that compared to the 2006 Staff Survey, considerable improvement had been made in a range of areas.

Further work is taking place on the data from both of these surveys and actions will feature in our Staff Governance Action Plan for 2009/10.

Recruitment practices have been further reviewed and, 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.

NHS Grampian provides employees with information on matters of concern to them as employees through a range of communication methods including Team Brief, global e-mails and the Upfront Newspaper. The organisation consults employees or their representatives so their views are taken into account in decisions affecting their interests through the Grampian Partnership process.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Principal Activities and Review of the Year

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

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

NHS Boards form a local health system, with single governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The overall purpose of NHS Grampian is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole.

The role of NHS Grampian is to:

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

The functions of NHS Grampian comprise:

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

2008/09 proved to be once again a productive year for NHS Grampian, where the focus remained on building on achievements from previous years with the emphasis on striving to deliver modern and sustainable services, which continue to improve the health of those people who live in Grampian, as well as people who access these services from other areas.

NHS Grampian has continued to develop its 'Change and Innovation Programme', which incorporates the three national programmes (Better Care Without Delay, Mental Health and Long Term Conditions) and three local programmes (Health Campus, Intermediate Care and Aberdeen City Primary Care Redesign). All of these support the concept of improving health and improving the patient experience through the delivery of the right care, at the right time and in the right place.

Within the Acute Sector, the key focus has continued to be on improving patient safety and access to services, both of which are supported by the Foresterhill Health Campus Programme. A significant amount of work has continued on whole system changes to support the redesign of pathways of care for unscheduled patients, to ensure care continues to be efficient and effective.

In relation to elective patients, the focus has remained on ensuring that sustainable capacity is in place to ensure safe, effective and timely pathways of care. The three Community Health Partnerships (CHPs) have continued to work in partnership with the Acute Sector, to support the redesign and delivery of both unscheduled and elective pathways of care.

Aberdeenshire CHP continues to shift the balance of care through the development of diagnostic and treatment services. A key focus has been the delivery of appropriate specialist care locally for older people and people with long term conditions, such as chronic obstructive pulmonary disease and diabetes. The Full Business Case for Chalmers Community Hospital in Banff was approved and construction work was commenced.

Aberdeen City CHP has continued to focus on the development of CHP led intermediate care facilities on the Woodend site, with appropriate bed moves being undertaken between Aberdeen Royal Infirmary and Woodend Hospital. During 2008/09 the 'Aberdeen City Primary Care Redesign Programme' was established to oversee the redesign of community services, in order to ensure that services are sustainable and meet the future needs of people living in Aberdeen. The Outline Business Case for the Aberdeen Community Health Village was also approved by the Board in 2008.

Moray CHP has focused on the development and delivery of intermediate care, supporting the concept of delivering specialist care locally for older people and people with long term conditions. The sustained improvement of access to dental services will continue into next year with the opening of a new Dental Facility in Elgin.

Further information on some of the achievements made in 2008/09 can be accessed via the *NHS Grampian Health Plan for 2009/10*. <http://www.nhsgrampian.org/grampianfoi/files/FinalGHPFor2009-10.pdf>

NHS Grampian remained in financial balance in 2008/09 and further information on its financial performance is included in the section on Financial Performance and Position on page 10. Performance against other key targets in 2008/09 was measured using key performance indicators set by the Health Directorates to hold Boards to account. Information on NHS Grampian's performance in relation to these indicators is detailed in the section on Performance against Key Non Financial Targets on page 11.

Counter Fraud Services

In 2008, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for NHS Grampian indicates that the level of income that could have been generated from prescription, dental and ophthalmic charges in the year to 31 December 2008 could amount potentially to £2.6 million (2007: £2.6 million).

Fixed Assets

NHS Grampian invested £41.7 million during the year on capital programmes. The major areas of spend included £6.6 million on medical equipment, £6.5 million on Acute Specialist Services, £8.9 million on Infrastructure Investment, £3.4 million on Primary Care Modernisation, £3.8 million on Dental Modernisation and £4.7 million on eHealth Capital Projects.

Interim revaluations of new build and refurbished properties on completion of the scheme resulted in a reduction in value of £2.9 million. This reduction reflects the change to a depreciated replacement cost basis of valuation.

NHS Grampian carries out a revaluation of land annually and operates a rolling programme of building revaluation to ensure all properties are formally revalued over a five year period. Interim valuations of properties, on the basis of indices, are made annually for the portion of the estate not included in that year's formal revaluation programme. The revaluation of properties as at 31 March 2009 resulted in a decrease in value of £6.4 million.

Financial Performance and Position

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

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

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

	Limit as set by SGHD £000	Actual Out-turn £000	Variance (Over)/Under £000
Revenue Resource Limit	756,339	749,853	6,486
Capital Resource Limit	41,801	41,798	3
Cash Requirement	826,100	826,100	0

Memorandum for In Year Out-turn

	£000
Brought forward (surplus) from previous financial year	<u>(6,391)</u>
Saving against in year Revenue Resource Limit	<u>95</u>

A cumulative surplus of £6.486 million was recorded for the year against a target of £6.391 million, resulting in a small over-achievement against target.

Total efficiency savings of £27.5 million were achieved against a requirement of £26.2 million. Recurring savings amounted to £19.4 million whilst the recurring nature of £8.1 million of savings remains to be confirmed.

Performance against Key Non Financial Targets

Key Performance Indicators

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

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

NHS Grampian's planned performance against the HEAT indicators feature in the Board's Local Delivery Plan which represents the annual performance improvement agreement between the Board and the Scottish Government. This performance is reviewed in public each year at an Annual Review meeting. The outcome of the Annual Review is captured in a formal letter to the Board, which then forms the basis of the Board's Annual Report. A full performance report is made available to the public in advance of the Annual Review which in 2009 is scheduled to take place on 2nd November.

The following gives some information on Grampian's performance against key Local Delivery Plan (HEAT) targets as well as local targets in 2008/09.

Health Improvement

- NHS Grampian has put considerable focus on improving access to NHS dental services over the last few years to rectify our low registration rate when compared to other Board areas. There have been 20,000 additional registrations over the last year across salaried dental practices and GDPs. As a consequence performance against the HEAT measure relating to 3-5 year olds registered with an NHS dentist, increased across Grampian in line with plan. 66.9% of 3-5 year olds were registered as at 30th September 2008.
- Uptake of all childhood vaccinations continues to meet the target of 95%. The introduction of HPV Immunisation in schools has been a considerable success with uptake of 91.7% for dose 1 and 89.2% for dose 2.

Efficiency and Governance Improvements

- As detailed elsewhere in this report the Board met its three key financial targets in 2008/09. Locally a target was set to reduce the level of expenditure on agency nurses and following investment in substantive posts expenditure began to fall from November 2007 onwards.
- There has been continued focus on increasing the extent of surgery undertaken on a day case basis and within the community during 2008/09 and Grampian is no longer an outlier in Scottish terms. 67% of elective activity was performed as a day case in April – October 2008 and a planned roll out of pre-assessment clinics through summer 2009 means this figure will continue to improve.
- Boards are required to reduce by 10% the rate of patient 'do not attends' (DNAs) for new outpatient appointments by 2011. Whilst the rate does fluctuate from month to month, there has been a general reduction over the last 18 months and the required reduction is expected to be delivered as planned. The Grampian rate at February 2009 was 7.9% which was better than the Scottish average (10.37% for quarter ending December 2008).

Access to Services

- There have been significant access improvements during 2008/09, delivered by the ongoing commitment and hard work of all staff groups as well as further investment in capacity. We are now working on further reductions towards the 18 week referral to treatment standard.
- A number of key targets were met in full by March 2009 deadlines. These included no-one waiting longer than 12 weeks for inpatient or day case treatment or first outpatient appointment.
- The 95% target for the proportion of urgent cancer referrals treated within 2 months (62 days) of referral was met in full in the third quarter of 2008/09.
- Delivery of the 98% target for discharge or transfer within 4 hours from Accident and Emergency departments remains a challenge for NHS Grampian. The target was delivered in summer 2008 but this position has not been sustained over Winter with the February 2009 performance reported as 95.6%. Most delays can be attributed to awaiting admission to an available hospital bed. Significant effort is being made to improve on this performance.

Treatment Appropriate to Individuals

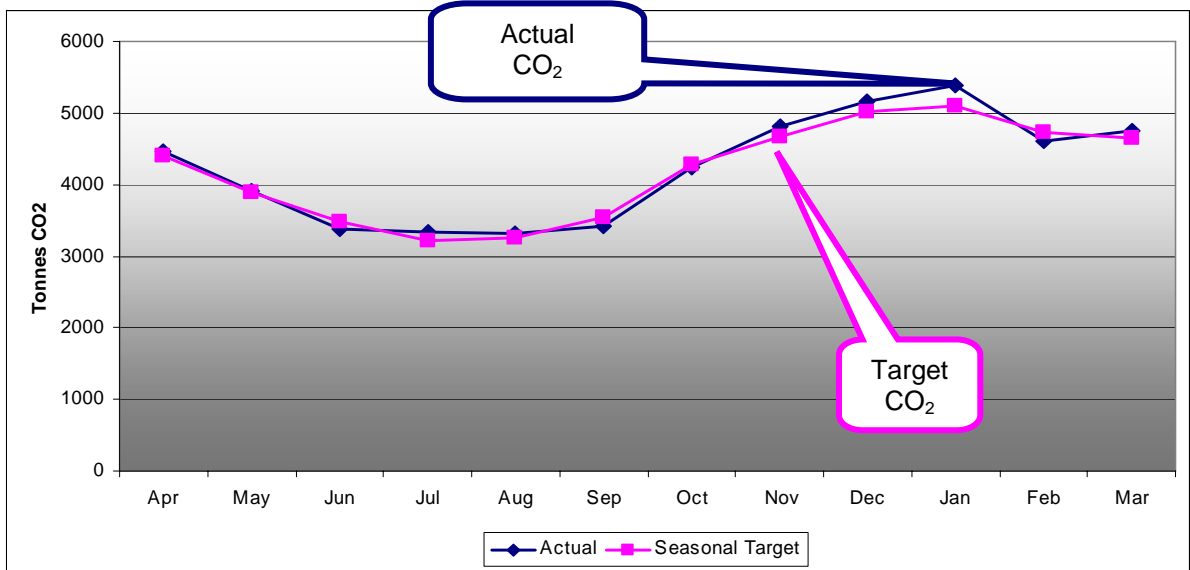
- The NHS Board receives regular reports on all aspects of Healthcare Associated Infection and reducing rates of infection as well as ensuring cleanliness and good clinical practice are high priorities for the Board. NHS Grampian has a reducing rate of staphylococcus bacteraemia in line with plan and our rate is favourable compared with other teaching Boards. We have achieved consistently an average cleanliness score of 96-98% which is well above the 90% national target.

Sustainability and Environmental Reporting

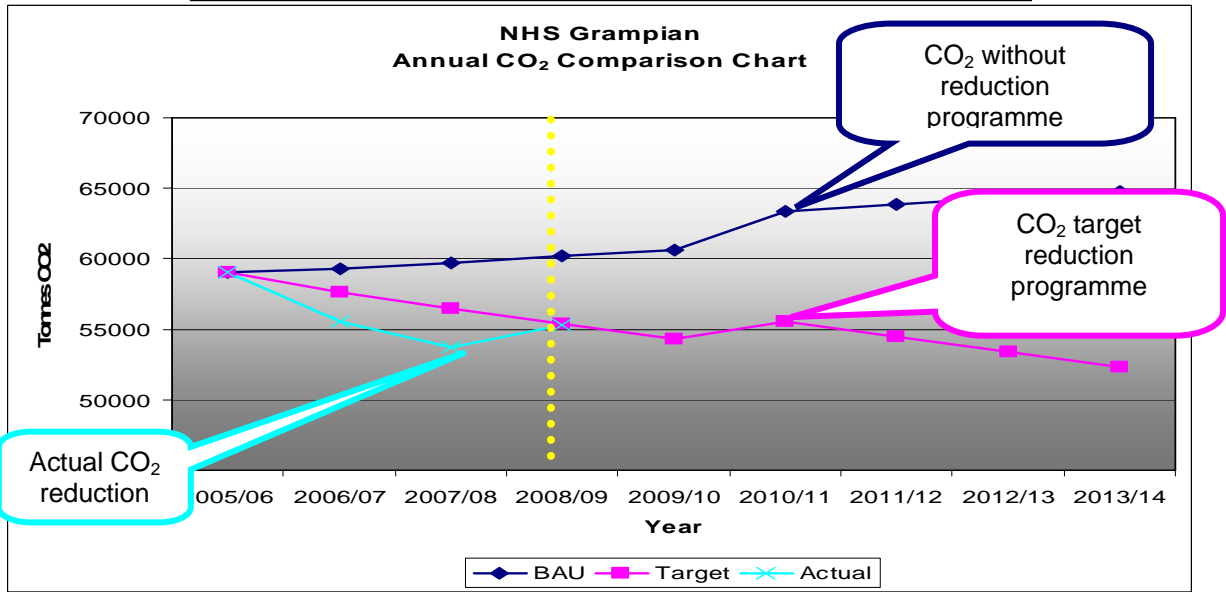
Overview

NHS Grampian has successfully put in place a ten year Carbon Management Implementation Programme (CMIP) which sets out our strategy in response to "global warming".

The programme aims to reduce our carbon impact by 2% year on year. Meeting the target would avoid costs totalling £6.9 million and avoid 61,000 tonnes of carbon dioxide emissions. This is now a Scottish Government HEAT Target. The graphs below highlight performance against the 10 year CO₂ reduction programme and also NHS Grampian's seasonal emissions both of which show favourable performance.



NHSG Grampian 2008/09 Co₂ Seasonal Emissions



NHSG Grampian 10 Year Co₂ Reduction Programme

Key Achievements

- NHS Grampian is now in programme year three – although this has arguably been the coldest winter for some 10 years, the Board have still been able to meet the 2% target reduction from our base year. As seen in the graph for 2008-09, despite the challenging circumstances we have broadly mirrored the seasonal target within a 1% margin overall. Besides seasonal variation, this figure also takes into account a number of pressures relating to increased clinical activity. The initial targeting strategy made no allowance for the seasonal aspects of emissions, but it must be remembered that this has a bearing on over 50% of Board CO₂ output.

- NHS Grampian created and remains a member of the public sector led North East Scotland Climate Change Partnership. This includes membership from the three local authorities, Grampian Police, Grampian Fire and Rescue Service and Scottish Ambulance Service. The remit of the group continues to evolve and progress the Government's Climate Change Declaration through sharing best practice and experience.
- NHS Grampian's Asset Investment Group has agreed to adopt the British Research Establishment Environmental Assessment Method (BREEAM) principles for the key elements of the Board's Capital Programme. The independent BREEAM assessment (at Very Good or Excellent) provides a very clear message on the best value of asset investments and the further contribution new assets make towards sustainability and our carbon reduction targets.
- A network of "Carbon Champions" continues to make progress at local level across NHS Grampian. Contact is maintained with some twenty five or so staff volunteers who participate in the carbon champion group. This group continues to have a vital role in future carbon reduction idea generation and helping to ensure that day to day operations take carbon management into account wherever possible.
- Waste Recycling initiatives in a number of areas have been implemented or extended. During 2008, the Board implemented new and updated contract arrangements for its municipal waste. This provides recovery and recycling initiatives for all bulk municipal waste and introduces our "zero waste" programme, initially at Summerfield House. The programme will be introduced in phases to other locations during 2009/10.
- During 2008, the Board procured new and updated contract arrangements for its healthcare (*clinical*) wastes to commence on 1st April 2009. As a first for the NHS this introduces recovery targets - 80% of the waste will be made safe and recovered or recycled by the end of contract year 2, with this increasing to 90% by the end of year 5.

Current Work

- We are continuing to progress the Full Business Case for the replacement Foresterhill Campus energy centre under Frameworks Scotland. The preferred option approved by NHS Grampian (at Outline Business Case) considered a gas turbine combined heat and power plant with a hybrid biomass renewable boiler and two dual fuel boiler solution, whereby the Board will generate a significant proportion of its own electricity and use the waste heat for heating and hot water. The carbon savings from the energy centre should be significant. It is scheduled to come on line late Autumn 2010.

The scheme will contribute by reducing CO₂ by 7,935 tonnes per annum. This scheme also ensures that there will be sufficient energy for the Foresterhill Campus during the redevelopment programme providing continuity of existing energy services to existing buildings, whilst new buildings are under construction and commission.

- We have created an ongoing partnership with the Carbon Trust in order to obtain independent "Sustainable Design Guidance" relating to the most imminent capital schemes at the Foresterhill Campus (i.e.: Emergency Care Centre, Ambulatory Care Centre, Dental School and Combined Heat and Power scheme). It is hoped that a key output from this process will be business cases that accurately reflect whole life cycle costs, including an assessment of carbon impact by each assessed option. Such an approach may require marginally higher capital investment on new build, although the revenue and carbon benefits over the life of the buildings are likely to be significant.
- Finally, all buildings that are now constructed or subject to major refurbishment, require to obtain and display an Energy Performance Certificate. Buildings are with us for a long time and can incur considerable revenue to fund, operate and maintain. When considered at business case stage this provides a very clear message on the best value of asset investments and the further long term contribution new assets make towards sustainability and our carbon reduction targets.

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

	Salary (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2009 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2008 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2009 £000	Real increase in CETV in year £000	Benefits in kind £000
Remuneration of:							
Executive Members							
Chief Executive							
-Mr Richard Carey	140-145	0-2.5	45-50	695	922	23	2.0
Medical Director							
-Dr Roelf Dijkhuizen **	185-190	10.0-12.5	35-40	465	820	361	-
Director of Finance							
-Mr Alan Gall	110-115	2.5-5.0	15-20	290	462	104	2.6
Nurse Director							
-Mrs Elinor Smith	90-95	0-2.5	25-30	415	560	29	2.1
Director of Public Health							
-Dr Lesley Wilkie	155-160	0-2.5	45-50	802	1072	32	2.1
Director of Human Resources							
-Mr Mark Sinclair	115-120	0-2.5	0-5	*	29	21	1.4
Non Executive Members							
The Chairman							
Dr David Cameron	30-35	N/a	N/a	N/a	N/a	N/a	-
Mrs Barbara Bruce	10-15	N/a	N/a	N/a	N/a	N/a	-
Ms Margaret Burns (to 31/7/08)	0-5	N/a	N/a	N/a	N/a	N/a	-
Councillor Katharine Dean	5-10	N/a	N/a	N/a	N/a	N/a	-
Professor Neva Haites	10-15	N/a	N/a	N/a	N/a	N/a	-
Mrs Judith Hendry (to 1/9/08)	0-5	N/a	N/a	N/a	N/a	N/a	-
Mrs Elizabeth McDade	5-10	N/a	N/a	N/a	N/a	N/a	-
Professor Valerie Maehle	10-15	N/a	N/a	N/a	N/a	N/a	-
Mr Charles Muir	5-10	N/a	N/a	N/a	N/a	N/a	-
Mr Michael Scott	5-10	N/a	N/a	N/a	N/a	N/a	-
Councillor Lee Bell	5-10	N/a	N/a	N/a	N/a	N/a	-
Councillor Bill Howatson	10-15	N/a	N/a	N/a	N/a	N/a	-
Dr John Reid (from 1/9/08)	0-5	N/a	N/a	N/a	N/a	N/a	-
Mr Terry Mackie (from 1/8/08)	5-10	N/a	N/a	N/a	N/a	N/a	-
Mr David Anderson (from 1/8/08)	5-10	N/a	N/a	N/a	N/a	N/a	-
Mr Gordon Stephen *	155-160	2.5-5	35-40	369	864	96	
Total							10.2

* Mr Gordon Stephen is a Non Executive Member of the Grampian NHS Board in his capacity as Employee Director of NHS Grampian. All of his time is currently dedicated to his role as Employee Director. The increase in salary from 2007/08 relates to regrading of his substantive post through the Agenda for Change Pay Review Process and four years of arrears.

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

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

Directors' Report
REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2008

Remuneration of:	Salary (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2007 £000	Cash Equivalent Transfer Value (CETV) at 31 March 2008 £000	Real increase in CETV in year £000	Benefits in kind £000
Executive Members							
Chief Executive							
- Mr Richard Carey	135-140	2.5-5	45-50	591	695	53	2.
Medical Director							
- Dr Roelf Dijkhuizen	140-145	2.5-5	25-30	396	465	34	-
Director of Finance							
- Mr Alan Gall	95-100	0-2.5	15-20	235	290	36	2.3
Nurse Director							
- Mrs Elinor Smith	90-95	0-2.5	20-25	358	415	33	1.4
Director of Public Health							
- Dr Lesley Wilkie	150-155	2.5-5	40-45	692	802	61	2.0
Director of Human Resources							
-Mr Mark Sinclair*	35-40	*	*	*	*	*	14.6
Non Executive Members							
The Chairman							
- Mr James Royan (to 31/10/07)	20-25	N/a	N/a	N/a	N/a	N/a	-
Dr David Cameron (from 3/12/07)	15-20	N/a	N/a	N/a	N/a	N/a	-
Councillor Raymond Bisset (to 30/04/07)	0-5	N/a	N/a	N/a	N/a	N/a	-
Mrs Barbara Bruce	10-15	N/a	N/a	N/a	N/a	N/a	-
Ms Margaret Burns	5-10	N/a	N/a	N/a	N/a	N/a	-
Councillor Katharine Dean	5-10	N/a	N/a	N/a	N/a	N/a	-
Professor Neva Haites	10-15	N/a	N/a	N/a	N/a	N/a	-
Mrs Judith Hendry	5-10	N/a	N/a	N/a	N/a	N/a	-
Mrs Elizabeth McDade	5-10	N/a	N/a	N/a	N/a	N/a	-
Mr George McIntyre (to 30/04/07)	0-5	N/a	N/a	N/a	N/a	N/a	-
Professor Valerie Maehle	10-15	N/a	N/a	N/a	N/a	N/a	-
Mr Charles Muir	5-10	N/a	N/a	N/a	N/a	N/a	-
Mr Michael Scott	5-10	N/a	N/a	N/a	N/a	N/a	-
Councillor Bill Howatson	5-10	N/a	N/a	N/a	N/a	N/a	-
Councillor Lee Bell	0-5	N/a	N/a	N/a	N/a	N/a	-
Dr Stuart Watson	0-5	N/a	N/a	N/a	N/a	N/a	-
Mr Gordon Stephen**	50-55	0-2.5	20-25	363	369	2	-
Total							22.3

* Mr Mark Sinclair commenced on 01/12/2007 and we await pension information from SPPA

** Mr Gordon Stephen is a Non Executive Member of the Grampian NHS Board in his capacity as Employee Director of NHS Grampian. The salary disclosure above includes his remuneration for his substantive post within NHS Grampian, as well as his remuneration as a Non Executive Member. All of his time is currently dedicated to his role as Employee Director.

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

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

Directors' Report REMUNERATION REPORT (continued)

Remuneration of Executive and Non-Executive Members

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

Business Interests

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

Remuneration Committee

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

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

Membership: Mr Mike Scott (Chair), Mr David Anderson, Dr John Reid, Councillor Katharine Dean, Dr David Cameron and Mr Gordon Stephen.

Board Members Contracts of Employment

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

Assessment of Performance

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

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

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

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

26 June 2009

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2008/09

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 Executive has appointed me as Accountable Officer of Grampian Health Board.

This designation carries with it responsibility for:

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

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of the 13 January 2006.

.....

Mr Richard Carey
Chief Executive
Grampian Health Board

26 June 2009

GRAMPIAN HEALTH BOARD

ANNUAL ACCOUNTS 2008/09

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 2009 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 the Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

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

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

26 June 2009

Date

GRAMPIAN HEALTH BOARD

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

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

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

- A Board which meets regularly to consider the plans and strategic direction of the organisation (the Board comprises the senior management of the organisation and Non-Executive members).
- Single system governance and risk management arrangements with clear supporting lines of accountability and agreed scheme of delegation and standing orders.
- The consideration by the Board of periodic reports from the chairs of the performance governance, staff governance, clinical governance and audit committees, concerning any significant matters on governance, risk and internal controls.
- Robust prioritisation of risks and allocation of responsibility for mitigating action to named senior officers.
- A strong focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements.
- Clear allocation of responsibilities for ensuring that we continue to review and develop our organisational arrangements and services in line with national standards and guidance.
- Further development of arrangements to secure continuous improvement in performance, including allocation of lead responsibilities for strategic change projects and implementation of improvement actions across all our clinical and non clinical activities.

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

Purpose of the System of Internal Control

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

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

Risk and Control Framework

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

- The risk management strategy clearly sets out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian and the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action.
- We have implemented an assurance framework to assist each of the core governance committees to identify and assess risks that fall within their remit.
- Risk Control Plans have been established for each sector which set out the steps being taken to manage risks linked to delivery of corporate objectives, performance targets and key strategic projects.
- Risks associated with information that we are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements. During the year under review we utilised the Scottish Government Information Governance Toolkit to review all our current information policies and procedures and assess the risks associated with information we hold and share both internally and externally. We have also commissioned internal audit to independently assess the effectiveness of our arrangements in relation to medical records. The findings and agreed actions for improvement have been allocated to senior officers, with implementation being subject to regular review by the eHealth and Audit Committees. As Chief Executive I have also taken personal responsibility for ensuring that regular monitoring is undertaken of our information governance arrangements and that improvement actions are taken to address identified risks in accordance with agreed implementation timetables.
- We have implemented an IT web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents in line with our risk management strategy.
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2009 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's system of internal control:

- Refocusing and prioritisation of the strategic service design projects underpinning the change and innovation programme in order to address areas of financial pressure and/or support more effective delivery of patient care.
- Appointment of a Director of Human Resources and Strategic Change to lead on organisational change and continuous service improvement and support management drive forward actions to improve effectiveness and efficiency across all our clinical and non clinical services.
- Implementation of the improvement actions identified by self evaluation reviews undertaken by the core governance committees of the Board.

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

To further progress the embedding of a culture of best value across the organisation, NHS Grampian seconded an experienced member of staff from Aberdeenshire Council to lead the further development and awareness of the requirements of Best Value following from the completion of a comprehensive baseline assessment. A short life Best Value Steering Group was established to oversee this work. Examples of good practice highlighted by our review included the arrangements for improving patient safety, particularly the reporting arrangements across NHS Grampian, the incorporation of best value principles within our key strategic change programmes and open accountability to the public for performance improvement.

The work undertaken on the Best Value project, together with the appointment of a Director for Human Resources and Strategic Change with responsibility for Organisational Development and Continuous Service Improvement, demonstrates the commitment the Board has to driving improvement and embedding best value across all services. This will be particularly important in supporting the Board address known financial and activity pressures.

During the financial year ending 31 March 2010 we will continue to seek opportunities to enhance the Board's system of internal control with a specific focus on delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by:

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

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

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

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

Disclosures

During the year ended 31 March 2009, there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.

.....

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

26 June 2009

Date

Independent Auditor's Report

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

I have audited the financial statements of Grampian Health Board for the year ended 31 March 2009 under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

Respective responsibilities of the Board, Accountable Officer and auditor

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

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

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

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

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

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

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as

required by the Code of Audit Practice approved by the Auditor General for Scotland. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

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

Opinions

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Board as at 31 March 2009 and of its net operating cost position, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Operating and Financial Review and Directors Report, included in the Annual Report, is consistent with the financial statements.

Equal Pay

Without qualifying our opinion we draw attention to Note 21 to the financial statements. The Board has received a number of claims under the Equal Pay Act 1970 claiming compensation for inequalities under previous pay arrangements. The NHS Scotland Central Legal Office has co-ordinated the legal response to all claims and has advised that the claims are not specific enough for any estimate of the potential liability to be made. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Regularity

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

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

Date.....

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2008-09 £000	2007-08 £000
Clinical Services Costs			
Hospital and Community	4	669,642	634,630
Less: Hospital and Community Income	8	(16,116)	(14,570)
		<u>653,526</u>	<u>620,060</u>
Family Health	5	207,491	202,284
Less: Family Health Income	8	(8,469)	(10,034)
		<u>199,022</u>	<u>192,250</u>
Total Clinical Services Costs		<u>852,548</u>	<u>812,310</u>
Administration Costs	6	4,732	4,157
Other Non-Clinical Services	7	12,267	11,661
Less: Other Operating Income	8	(69,848)	(66,751)
		<u>(57,581)</u>	<u>(55,090)</u>
Net Operating Costs		<u>799,699</u>	<u>761,377</u>

SUMMARY OF REVENUE RESOURCE OUTTURN

Net Operating Costs (per above)		799,699	761,377
Less: Capital Grants to Public Bodies	9	(3,306)	(464)
Less: Disposal of Fixed Assets	9	(281)	(163)
Less: Annually Managed Expenditure (Write Downs)		(3,184)	(2,174)
Less: FHS Non Discretionary Allocation		(43,075)	(35,722)
Net Resource Outturn		749,853	722,854
Revenue Resource Limit		756,339	729,245
Saving against Revenue Resource Limit		<u>6,486</u>	<u>6,391</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

	<i>Note</i>	2008-09	2007-08
		£000	£000
Net (Loss)/Gain on Revaluation of Tangible Fixed Assets	11	(6,397)	26,813
Net (Loss) on Revaluation of Intangible Fixed Assets	10	(120)	(63)
Movement in Donated Asset Reserve due to Receipts	20	300	106
Total Recognised (Losses)/Gains for the Year		(6,217)	26,856

BALANCE SHEET AS AT 31 MARCH 2009

	Note	As at 31/3/2009 £000	As at 31/3/2008 £000
FIXED ASSETS			
Intangible Fixed Assets	10	369	21
Tangible Fixed Assets	11	407,974	404,165
Total Fixed Assets		<u>408,343</u>	<u>404,186</u>
Debtors falling due after more than one year	13	4,566	11,175
CURRENT ASSETS			
Stocks	12	4,177	5,040
Debtors	13	31,032	26,947
Investments	14	1	1
Cash at bank and in hand	15	1,709	1,346
		<u>36,919</u>	<u>33,334</u>
CURRENT LIABILITIES:			
Creditors due within one year	16	<u>(104,123)</u>	<u>(126,239)</u>
NET CURRENT (LIABILITIES)		<u>(67,204)</u>	<u>(92,905)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		345,705	322,456
CREDITORS DUE AFTER MORE THAN 1 YEAR	16	(102)	0
PROVISIONS FOR LIABILITIES AND CHARGES	17	(10,030)	(16,845)
		<u>335,573</u>	<u>305,611</u>
FINANCED BY:			
General Fund	19	223,720	186,608
Revaluation Reserve	20	96,895	103,729
Donated Asset Reserve	20	14,958	15,274
		<u>335,573</u>	<u>305,611</u>

Adopted by the Board on 26 June 2009

Mr Richard Carey
Chief Executive

Mr Alan Gall
Director of Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2008-09 £000	2008-09 £000	2007-08 £000	2007-08 £000
NET OPERATING CASHFLOW					
Net cash (outflow) from operating activities			(787,479)		(719,298)
CAPITAL EXPENDITURE					
Payments to acquire fixed assets		(38,466)		(29,261)	
Receipts from sale of fixed assets		232		623	
Net cash (outflow) for capital expenditure			(38,234)		(28,638)
Net cash (outflow) before Financing			(825,713)		(747,936)
FINANCING					
Funding	19	825,713		747,936	
Movement in general fund working capital		363		(1,935)	
Cash drawn down		826,076		746,001	
Net cash inflow from financing			826,076		746,001
Increase/(decrease) in cash in year			363		(1,935)
NOTES					
1. Reconciliation of operating cost to operating cash flow					
Net Operating Cost for the year			(799,699)		(761,377)
Expenditure not involving payment of cash	3		37,983		33,286
Net movement on working capital	18		(25,763)		8,793
Operating cash (outflow)			(787,479)		(719,298)
2. Reconciliation of net cash flow to movement in net debt/cash					
Increase/(decrease) in cash in year	15		363		(1,935)
Net cash at 1 April	15		1,346		3,281
Net cash at 31 March			1,709		1,346

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Authority

These accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies adopted by NHS Grampian follow UK generally accepted accounting practice (UK GAAP), as applied to the public sector in the FReM to the extent that they are meaningful and appropriate. They have been applied consistently in dealing with items considered material in relation to the accounts.

b) Going Concern

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

c) Accounting Convention

The accounts are prepared on a historical cost basis modified to reflect changes in the value of fixed assets at their value to the business by reference to their current costs.

d) Funding

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

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

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

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

e) Fixed Assets

The treatment of fixed assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Scotland Capital Accounting Manual.

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

i) Capitalisation

All assets falling into the following categories are capitalised:

- Tangible 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.
- 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 ten years.
- Intangible assets which can be valued, are capable of being used in a Board's activities for more than one year, and have a replacement cost equal to or greater than £5,000.
- 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.

ii) Valuation

Fixed assets are valued as follows:

Specialised NHS land, buildings, installations and fittings are stated at their depreciated replacement cost, other than surplus land and buildings which are stated at their open market value. Non specialised land and buildings, such as offices, are stated at market value, disregarding any potential alternative uses for the property.

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

Equipment is valued at the lower of its net replacement cost or recoverable amount. The net replacement cost is the replacement cost of the asset as new, depreciated in respect of its remaining useful life. The recoverable amount will only be used when the decision has been made to dispose of the asset.

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

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

- Specialised operational assets have been valued on a modified replacement cost basis to take account of modern substitute building materials only;
- No adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
- Additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:

Losses in value reflected in valuations are accounted for in accordance with Financial Reporting Standard 11. The consumption of economic benefits is charged to the operating cost statement and is described as impairments. Decreases in asset value that relate to fluctuations in market prices are first charged to the element of the revaluation reserve relating to the asset and that amount is recognised in the Statement of Recognised Gains and Losses. Further losses, beyond the level of the revaluation reserve relating to that asset, are charged to the operating cost statement, except where it is anticipated that the reduction in value will reverse in the foreseeable future.

iii) Depreciation

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

- a) Freehold land and assets under construction are not depreciated.
- b) Buildings, installations, and fittings are depreciated on their 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.
- c) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

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

Intangible assets are amortised over the estimated lives of the assets.

iv) Intangible Assets

Intangible assets, such as software licences, are capitalised when they are capable of being used in a Board's activities for more than one year, they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight-line basis. The carrying value of intangible assets is reviewed for impairments at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter term of the licence and their useful economic lives.

v) Donated Assets

Fixed assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the full replacement cost of the asset. The value of donated assets is credited to the Donated Asset Reserve, and the accounting treatment, including the method of valuation, follows the rules in the NHS Scotland Capital Accounting Manual. Where a donation covers only part of the total cost of the asset concerned, only that part element is included in the Donated Asset Reserve.

vi) Sale of Fixed Assets

Disposal of fixed assets is accounted for as a reduction to the value of fixed assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Operating Cost Statement.

Where assets are scheduled for disposal and their net book value exceeds their open market value, accelerated depreciation is applied so that the asset reaches open market value at the point at which the asset is taken out of operational use.

vii) Leasing

Rentals under operating leases are charged on the basis of the operating lease agreement.

viii) Carbon Emissions (Intangible Assets)

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

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

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

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

f) Research and Development

Expenditure on Research and Development is written off to revenue as it is incurred.

g) Debtors and Creditors

Debtors and Creditors have been assessed on the basis of goods and services supplied or received up to and including 31 March 2009 for which payment had not been received or made by that date. Where the Health Board has a positive net cash book balance at the year end, a corresponding creditor is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHD. Where the Health Board has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHD.

h) Stocks

Stock is valued at the lower of cost or net realisable value. Certain stocks with high turnover are valued at average purchase price which is deemed to represent the lower of cost and net realisable value.

i) 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.

j) Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing benefits based on a final pensionable pay. The assets and liabilities of the scheme are held separately from those of the Board. The Board is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the operating cost statement represents the contributions payable to the scheme in respect of the year.

k) Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to an annual limit. Costs above this limit are reimbursed to Boards from a central fund held by the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) on behalf of the Scottish Government Health Directorates. Clinical negligence costs may also be reimbursed in part by the Scottish Government Health Directorates.

l) Related Party Transactions

Material related party transactions are disclosed in the directors' report in line with the requirements of FRS 8. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

m) Value Added Tax

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

n) 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.

o) 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, FRS 28 'Corresponding Amounts' requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

p) Financial Instruments

Financial assets

Classification

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

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

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

(ii) 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.

(iii) Available-for-sale financial assets

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

Recognition and measurement

Financial assets are recognised when the NHS 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 NHS Board has transferred substantially all risks and rewards of ownership.

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

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

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(ii) 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 NHS 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 6 months overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

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

Financial Liabilities

Classification

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

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

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

(ii) Other financial liabilities

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

Recognition and measurement

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

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

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

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

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(ii) Other financial liabilities

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

2. (a) STAFF NUMBERS AND COSTS 2008/09

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	Total £000	2007-08 Total £000
STAFF COSTS								
Salaries and wages	804	299	381,358	0	0	(506)	381,955	358,979
Social security costs	91	26	30,782	0	0	0	30,899	28,855
NHS Superannuation Scheme: employer's costs	108	21	45,335	0	0	0	45,464	41,681
Inward secondees	0	0	0	419	0	0	419	273
Agency staff	0	0	0	0	2,390	0	2,390	2,170
TOTAL	1,003	346	457,475	419	2,390	(506)	461,127	431,958

STAFF NUMBERS * (AVERAGE NUMBER OF EMPLOYEES)	2008-09 No.	2007-08 No.
Administration **	39.9	42.7
Hospital and Community Services	8,353.7	8,210.6
Non Clinical Services	3,663.8	3,489.4
Other, including recharge Trading Accounts	0.0	0.0
Inward Secondees	10.4	7.8
Outward Secondees	(14.5)	(7.5)
Total Average Staff	12,053.4	11,743.0
Disabled Staff	111.0	111.0

* Numbers provided are whole time equivalent.

** This category includes staff employed in those functions, as detailed in Note 6 to the Accounts.

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in Note 24 to the Accounts.

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:

	2008-09 No.	2007-08 No.
Clinicians		
£50,000 to £60,000	154	137
£60,001 to £70,000	111	100
£70,001 to £80,000	75	65
£80,001 to £90,000	53	49
£90,001 to £100,000	42	45
£100,001 to £110,000	58	76
£110,001 to £120,000	52	43
£120,001 to £130,000	48	36
£130,001 to 140,000	36	27
£140,001 to 150,000	27	35
£150,001 and above	63	50
Other		
£50,000 to £60,000	136	94
£60,001 to £70,000	63	41
£70,001 to £80,000	31	15
£80,001 to £90,000	14	7
£90,001 to £100,000	9	4
£100,001 to £110,000	4	3
£110,001 to £120,000	3	1
£120,001 to £130,000	0	1
£130,001 to £140,000	0	0
£140,001 to £150,000	2	0
£150,001 and above	2	0

The increase in the number of higher paid employees is entirely due to the Agenda for Change Pay Review Process which has led to staff receiving new pay grades and backdated pay for up to four years in 2008-09.

3. OTHER OPERATING COSTS

	Note	2008-09 £000	2007-08 £000
Expenditure Not Paid in Cash			
Depreciation	10, 11	23,542	20,997
Cost of capital	19	10,856	9,391
Impairments - Charge	11	3,184	2,016
Revaluation loss on fixed assets charged to the Operating Cost Statement		0	590
Revaluation of EC Carbon Emissions taken to Deferred Income		120	63
Loss on disposal of intangible fixed assets		0	1
Loss on disposal of purchased fixed assets		281	162
Other non cash costs		0	66
Total Expenditure Not Paid in Cash		<u>37,983</u>	<u>33,286</u>
Travel, Subsistence and Hospitality		<u>5,342</u>	<u>5,189</u>
Operating Lease Rentals			
Hire of equipment (including vehicles)		1,579	1,899
Other operating leases		1,358	1,291
Total		<u>2,937</u>	<u>3,190</u>
Statutory Audit			
External auditor's remuneration and expenses		<u>298</u>	<u>293</u>
PFI/PPP and Similar Contracts			
Service charge relating to off-balance sheet PFI/PPP contracts		0	1,733
Total		<u>0</u>	<u>1,733</u>

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

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2008-09	2007-08
	£000	£000
BY PROVIDER		
Treatment in Board area of NHS Scotland Patients	618,231	584,196
Other NHS Scotland Bodies	10,216	9,847
Health Bodies outside Scotland	644	611
Primary Care Bodies	45	44
Private Sector*	2,931	2,905
Community Care		
Resource Transfer	31,200	30,511
Contributions to Voluntary Bodies	5,041	5,406
Total NHS Scotland Patients	668,308	633,520
Treatment of UK residents based outside Scotland	1,334	1,110
Total Hospital & Community Health Service	669,642	634,630
BY SERVICE CATEGORY		
Acute Services	404,501	375,553
Maternity Services	33,070	32,102
Geriatric Assessment	18,672	16,932
Mental Health Services	75,094	71,948
Learning Disability	7,642	7,394
Geriatric Long Stay	17,516	17,514
Other Community Services	42,167	43,086
Other Services	50,391	50,685
Total Care Expenditure	649,053	615,214
Additional Costs of Teaching	12,001	11,102
Research & Development	7,254	7,204
UK Residents based outside Scotland	1,334	1,110
Total as Above	669,642	634,630

*Private sector costs relate to the use of private sector hospitals, services and treatment facilities including mobile theatres. Such costs are incurred specifically to assist in meeting access targets set by the SGHD and in the treatment of eating disorders, mental health problems and drug and alcohol addiction.

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget £000	Non Discretionary £000	Total 2008-09 £000	Total 2007-08 £000
Primary Medical Services	74,112	0	74,112	76,177
Pharmaceutical Services	86,563	16,252	102,815	97,998
General Dental Services	0	22,173	22,173	20,320
General Ophthalmic Services	60	8,331	8,391	7,789
Total	160,735	46,756	207,491	202,284

6. ADMINISTRATION COSTS

	2008-09 £000	2007-08 £000
Board Members' Remuneration	1,349	1,032
Administration of Board Meetings and Committees	225	200
Corporate Governance and Statutory Reporting	635	626
Health Planning, Commissioning and Performance Reporting	1,291	1,247
Treasury Management and Financial Planning	448	448
Public Relations	784	604
Total Administration Costs	4,732	4,157

7. OTHER NON-CLINICAL SERVICES

	2008-09 £000	2007-08 £000
Closed Hospital Charges	0	0
Compensation Payments – Clinical	830	1,015
Compensation Payments – Other	9	402
Pension Enhancement & Redundancy	599	1,184
Patients' Travel Attending Hospitals	273	245
Patients' Travel Highlands and Islands scheme	17	8
Health Promotion	3,881	3,778
Public Health	3,644	3,011
Public Health Medicine Trainees	160	146
Emergency Planning	101	68
Loss on Disposal of Fixed Assets	330	202
Other	2,423	1,602
Total Other Non-Clinical Services	12,267	11,661

Costs in relation to compensation payments include amounts charged to expenditure to create a provision against unsettled claims. Costs are shown gross and where applicable amounts recoverable from insurers are shown as income (see note 8).

8. OPERATING INCOME	2008-09 £000	2007-08 £000
HCH Income		
NHS Scotland Bodies		
Boards	12,448	11,386
NHS Non Scottish Bodies	1,334	1,110
Non NHS		
Private Patients	762	930
Compensation Income	1,572	1,144
Total HCH Income	<u>16,116</u>	<u>14,570</u>
FHS Income		
Unified	4,787	6,464
Non Discretionary		
General Dental Services	3,682	3,570
Total FHS Income	<u>8,469</u>	<u>10,034</u>
Other Operating Income		
NHS Scotland Bodies	44,614	43,517
Contributions in respect of Clinical/Medical negligence claims	260	542
Profit on disposal of fixed assets	49	40
Transfer from Donated Asset Reserve in respect of Depreciation	811	796
Interest Received	13	2
Other	24,101	21,854
Total Other Operating Income	<u>69,848</u>	<u>66,751</u>
Total Income	<u>94,433</u>	<u>91,355</u>
Of the above, the amount derived from NHS bodies is	<u>57,016</u>	<u>54,903</u>

Income disclosed as Contributions in respect of Clinical/ Medical negligence claims, represent amounts recoverable from insurers for claims against NHS Grampian.

9. ANALYSIS OF CAPITAL EXPENDITURE	Note	2009 £000	2008 £000
EXPENDITURE			
Acquisition of Intangible Fixed Assets	10	475	0
Acquisition of Tangible Fixed Assets	11a	37,949	28,843
Donated Asset Additions	11b	300	0
Capital Grants to Public Bodies		3,306	464
Loss on disposal of fixed assets		281	163
Gross Capital Expenditure		42,311	29,470
INCOME			
Net book value of disposal of Intangible Fixed Assets	10	0	1
Net book value of disposal of Tangible Fixed Assets	11	513	306
Capital Income		513	307
Net Capital Expenditure		41,798	29,163
SUMMARY OF CAPITAL RESOURCE OUTTURN			
Net capital expenditure as above		41,798	29,163
Capital Resource Limit		41,801	29,163
Savings against Capital Resource Limit		3	0

10. INTANGIBLE FIXED ASSETS	Software Licences £000	EC Carbon Emissions £000	Total £000
Cost or Valuation :			
As at 1 April 2008	40	0	40
Additions	38	437	475
Disposals	0	0	0
Revaluation	0	(120)	(120)
At 31 March 2009	78	317	395
Amortisation			
At 1 April 2008	19	0	19
Provided during the year	7	0	7
At 31 March 2009	26	0	26
Net Book Value at 1 April 2008	21	0	21
Net Book Value at 31 March 2009	52	317	369

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

11. (a) TANGIBLE FIXED ASSETS (Purchased Assets)

	Land & Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2008	350,133	13,478	3,577	83,368	18,927	5,778	6,477	481,738
Additions	7,232	1,559	238	7,620	3,741	83	17,476	37,949
Completions	4,586	0	0	558	0	11	(5,155)	0
Transfers	382	(382)	0	0	0	0	0	0
Revaluation	(33,203)	(1,424)	0	0	0	0	0	(34,627)
Impairment Charge	(3,168)	(16)	0	0	0	0	0	(3,184)
Disposals	(633)	0	(691)	(1,292)	(31)	(182)	0	(2,829)
At 31 March 2009	325,329	13,215	3,124	90,254	22,637	5,690	18,798	479,047
Depreciation								
At 1 April 2008	29,021	845	2,924	42,303	12,567	5,187	0	92,847
Provided during the year	14,326	493	211	6,668	1,706	131	0	23,535
Transfers	56	(56)	0	0	0	0	0	0
Revaluation	(27,066)	(969)	0	0	0	0	0	(28,035)
Disposals	(125)	0	(690)	(1,288)	(31)	(182)	0	(2,316)
At 31 March 2009	16,212	313	2,445	47,683	14,242	5,136	0	86,031
Net Book Value of Purchased Assets at 1 April 2008	321,112	12,633	653	41,065	6,360	591	6,477	388,891
Net Book Value of Purchased Assets at 31 March 2009	309,117	12,902	679	42,571	8,395	554	18,798	393,016
Open Market Value of Land and Dwellings Included Above	1,057							

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

	Land & Buildings (excluding dwellings) £000	Transport Equipment £000	Plant and Machinery £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation						
At 1 April 2008	14,466	155	5,068	90	44	19,823
Additions	287	0	13	0	0	300
Revaluation	(911)	0	0	0	0	(911)
Disposals	0	(36)	(781)	(15)	0	(832)
At 31 March 2009	13,842	119	4,300	75	44	18,380
Depreciation						
At 1 April 2008	879	137	3,413	90	30	4,549
Provided during the year	477	8	323	0	3	811
Revaluation	(1,106)	0	0	0	0	(1,106)
Disposals	0	(36)	(781)	(15)	0	(832)
At 31 March 2009	250	109	2,955	75	33	3,422
Net Book Value of Donated Assets at 1 April 2008	13,587	18	1,655	0	14	15,274
Net Book Value of Donated Assets at 31 March 2009	13,592	10	1,345	0	11	14,958

11. (c) FIXED ASSET DISCLOSURES	2009	2008
	£000	£000
Net book value of tangible fixed assets at 31 March		
Purchased	393,016	388,891
Donated	14,958	15,274
Total	407,974	404,165
Net book value related to land valued at open market value at 31 March	1,057	1,268
Net book value related to buildings valued at open market value at 31 March	2,815	3,018

Land and buildings were fully revalued by the Valuation Office Agency (VOA) at 31 March 2004 on the basis of depreciated replacement cost, existing use or market value, where no longer in use. Land is revalued annually and NHS Grampian has introduced a rolling programme of revaluation to cover all properties over a five year period. As part of that programme, the VOA carried out a revaluation of a portion of the estate as at 31 March 2009. Other tangible fixed assets were revalued on the basis of indices at 31 March 2009.

The net impact of the revaluation of land at 31 March 2009 was a decrease in value of £4.1 million resulting in a charge to the revaluation reserve of £4.1 million.

The net impact of the rolling revaluation programme was an increase in value of £7.2 million, of which £9.0 million was credited to the revaluation reserve and £1.8 million was charged to the Operating Cost Statement.

The VOA also carried out a number of interim valuations on new build properties or others which had received significant investment to upgrade facilities. These interim valuations resulted in a charge to the revaluation reserve of £1.6 million and a charge to the Operating Cost Statement of £1.2 million.

12. STOCKS	2009	2008
	£000	£000
Raw Materials and Consumables	4,177	5,040

13. DEBTORS

	2009 £000	2009 £000	2008 £000	2008 £000
Debtors due within 1 year:				
NHS Scotland				
- SGHD	32		185	
- Boards	6,105		4,002	
Total NHS Scotland Debtors	<u>6,137</u>		<u>4,187</u>	
NHS Non-Scottish Bodies		623		577
VAT recoverable		911		1,141
Prepayments and Accrued Income		6,163		5,445
Other Debtors		14,166		12,930
Reimbursement of Provisions		768		2,393
Other Public Sector Bodies		2,264		274
Total Debtors due within one year		<u>31,032</u>		<u>26,947</u>
Debtors due after more than one year				
Prepayments and Accrued Income		1,494		1,603
Reimbursement of Provisions		3,072		9,572
Total balances due after more than one year		<u>4,566</u>		<u>11,175</u>
Total Debtors		<u>35,598</u>		<u>38,122</u>

Amounts disclosed under Reimbursement of Provisions represent the value of negligence claims, which have been provided against (see note 17) and which are recoverable from insurers.

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

£000

As at 31 April 2008	124
Debtors written off during the year as uncollectible	(22)

As at 31 March 2009

102

As of 31 March 2009, debtors with a carrying value of £102,000 were impaired and provided for. The amount of the provision was £102,000. The ageing of these debtors is as follows:

£000

Over 6 months past due	<u>102</u>
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The debtors assessed as individually impaired were mainly individuals (including overseas visitors) and companies which are in unexpected difficult economic situations and it was assessed that not all of the debtor balance may be recovered.

Debtors that are less than six months past their due date are not considered impaired. As at 31 March 2009, debtors of carrying value of £3,061k were past their due date but not impaired. The ageing of debtors which are past due but not impaired is as follows:

	£000
Up to 3 months past due	2,483
3 to 6 months past due	248
Over 6 months past due	330
	<u>3,061</u>

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

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

The credit quality of debtors 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.

Trade debtors that are neither past due nor impaired are shown by their credit risk below;

	£000
Existing customers with no defaults in the past	<u>3,061</u>

The maximum exposure to credit risk is the fair value of each class of debtor. The board does not hold any collateral as security.

All receivables are denominated in Pounds Sterling

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

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

The fair value of long term other debtors is £4,566,000

14. Investments

	2009	2008
	£000	£000
Other Investments	<u>1</u>	<u>1</u>

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

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

15. CASH AT BANK AND IN HAND

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

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

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2009 £000	2008 £000	2008 £000
NHSScotland				
-Boards	2,328		2,424	
Total NHS Scotland Creditors	<u>2,328</u>		<u>2,424</u>	
NHS Non-Scottish Bodies		213		343
General Fund Creditor		1,709		1,346
FHS Practitioners		26,886		28,852
Trade Creditors		16,361		22,808
Accruals and Deferred Income		22,473		23,163
Income Tax & Social Security		10,537		9,253
Superannuation		6,110		5,300
Other Public Sector Bodies		1,116		4,088
EC Carbon Emissions Grant		0		0
Other Creditors		2,839		2,192
Other Significant Creditors: Agenda for Change		13,551		26,470
Total Creditors due within one year		<u>104,123</u>		<u>126,239</u>

16. CREDITORS : AMOUNTS DUE AFTER MORE THAN ONE YEAR

EC Carbon Emissions	102	0
Total Creditors due after more than one year	<u>102</u>	<u>0</u>
Total Creditors	<u>104,225</u>	<u>126,239</u>

The Other Significant Creditor balance above represents an estimate of the liability for the level of payments yet to be made to staff under the Agenda for Change pay award, backdated to 1 October 2004. The accrual has been calculated using best estimates based on payments that have already been made for those staff who have been assimilated to date and is considered to be sufficient to meet the backdated costs of the pay award.

The carrying amount of short term creditors approximates to their fair value.

All creditors are denominated in Pounds Sterling

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £000	Clinical & Medical £000	EC Carbon Emissions £000	Total £000
As at 1 April 2008	4,729	12,116	0	16,845
Arising during the year	490	488	215	1,193
Utilised during the year	0	(4,326)	0	(4,326)
Reversed Unutilised	0	(3,682)	0	(3,682)
As at 31 March 2009	5,219	4,596	215	10,030

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

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Opening Balances £000	Closing Balances £000	Net Movement £000
STOCK	5,040	4,177	
Net Decrease			863
DEBTORS			
Due within one year	26,947	31,032	
Due after more than one year	11,175	4,566	
	38,122	35,598	
Less: Capital included in above	0	0	
	38,122	35,598	
Net Decrease			2,524
CREDITORS			
Due within one year	126,239	104,123	
Due after more than one year	0	102	
Less: Capital included in above	(1,316)	(1,274)	
Less: General Fund Creditor included in above	(1,346)	(1,709)	
	123,577	101,242	
Net (Decrease)			(22,335)
PROVISIONS	16,845	10,030	
Net (Decrease)			(6,815)
NET MOVEMENT (Decrease)			(25,763)

19. GENERAL FUND	2009	2008
	£000	£000
General Fund at 1 April	186,608	190,621
Opening General Fund Creditor	1,346	3,281
Add: Cash Drawn Down	826,076	746,001
(Less): Closing General Fund (Creditor)	<u>(1,709)</u>	<u>(1,346)</u>
Net Funding	825,713	747,936
Net Operating Cost for the Year	(799,699)	(761,377)
Cost of Capital	10,856	9,391
Transfer of Realised Element of Revaluation Reserve	242	34
Proceeds from Sale of Donated Assets	0	3
Net Increase/(Decrease) in General Fund	37,112	<u>(4,013)</u>
General Fund at 31 March	223,720	<u>186,608</u>
 20. MOVEMENTS ON RESERVES	 2009	 2008
	£000	£000
 Revaluation Reserve		
Balance at 1 April	103,729	78,399
Indexation/ revaluation of fixed assets	(6,592)	25,364
Transfer of realised element to general fund	(242)	(34)
Balance at 31 March	96,895	<u>103,729</u>
 Donated Asset Reserve		
Balance at 1 April	15,274	14,455
Indexation/ revaluation of fixed assets	195	1,512
Additions of donated assets	300	106
Release to the Operating Cost Statement	(811)	(796)
Transfer of realised element to general fund	0	(3)
Balance at 31 March	14,958	<u>15,274</u>

21 . CONTINGENT LIABILITIES/ASSETS

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

Nature

Value

£000

Clinical, medical and employer's liability compensation payments

1,092

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

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

Equal Pay Claims

NHS Grampian has received 404 claims under the Equal Pay Act 1970 (mainly) from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of those claims is as follows:

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

Some cases are being pursued that also comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims.

The challenge to Agenda for Change was recently heard at an Employment Tribunal. The challenge was unsuccessful and the Tribunal rejected the contention that Agenda for Change job evaluation scheme was discriminatory. This ruling severely curtails the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will still have to establish that their jobs at that time were of equal value to the comparator jobs.

Claims currently submitted do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland Central Legal Office and Equal Pay Unit are monitoring the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. Their advice is used to determine the accounting treatment and disclosure. On the basis of their advice it is not considered practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that any such estimate would be likely to be misleading.

The Waste Electronic and Electrical Equipment Regulations 2006

The Waste Electronic and Electrical Equipment Regulations 2006 came into force on 1 July 2007. Where waste arises from assets obtained prior to 13 August 2005, the Board will be responsible for the costs of collection, treatment, recovery and environmentally sound disposal after 1 July 2007, unless a direct replacement is purchased, when the costs fall on the suppliers. The Board's current accounting policy is to incur such costs as they fall due. It is not possible to quantify the potential additional costs that the Board might be exposed to in respect of disposal of equipment purchased prior to 13 August 2005, as there is no reliable disposal cost per item of equipment and it is unknown what items will be directly replaced.

Contingent Assets

The following contingent assets have not been recognised in the Accounts, as explained below:

Nature	Value £000
Clinical, medical and employer's liability compensation recoveries	750

These contingent assets represent the amounts of the contingent liability disclosed above which NHS Grampian could recover under the Clinical Negligence and Other Risks Indemnity Scheme should these liabilities become payable.

22. COMMITMENTS	2009	2008
	£000	£000

Capital Commitments

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

Contracted	<u>25,720</u>	<u>13,158</u>
Authorised but not Contracted	<u>12,122</u>	<u>4,255</u>

Included within capital commitments that have been contracted for are:

- £12.5 million for the redevelopment and upgrade of Chalmers Hospital Banff.
- £2.3 million for the implementation of a Grampian PAC (image management) System for the radiology service.
- £3.4 million for the development of the Aberdeen Dental School.
- £1.8 million for the upgrade of fire safety systems at Dr Gray's Hospital, Elgin.
- £1.5 million for Elgin dental facility development.
- £1.4 million for the redevelopment and upgrade of Fraserburgh Hospital.

Included within capital commitments that have been authorised but not contracted for are:

- £8.0 million for the development of an Emergency Care Centre on the Foresterhill site.
- £2.8 million towards the development, with Aberdeen City Council, of an Integrated Care Planning and Stabilisation Service on behalf of the Integrated Drug Service Management Team.
- £0.7 million for the redevelopment of Maryhill Health Centre.
- £0.7 million for the development of a new Resource Centre at Braemar.

23. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the leases expire.

	2009	2008
	£000	£000
Obligations under operating leases comprise:		
Land and Buildings		
Between two and five years	86	0
After five years	972	423
	<u>1,058</u>	<u>423</u>
Other		
Within one year	227	174
Between two and five years (inclusive)	998	1,128
After five years	0	0
	<u>1,225</u>	<u>1,302</u>

24. PENSION COSTS

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

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17.

For 2008-09, normal employer contributions of £45,464,000 were payable to the SPPA (prior year £41,681,000) at the rate of 14.0% of total pensionable salaries. In addition, during the accounting period NHS Grampian incurred additional costs of £735,000 (prior year £549,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities.

Provisions amounting to £5,219,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

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

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

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. For members joining the scheme from April 2008 the earliest age at which voluntary early retirement, with a reduced pension, may be taken is 55 years.

New 2008 arrangements:

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

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

	2008-09	2007-08
	£'000	£'000
Pension cost charge for the year	45,464	41,681
Additional Costs arising from early retirement	735	549
Provisions included in the Balance Sheet	5,219	4,729

25. FINANCIAL INSTRUMENTS

25a. FINANCIAL INSTRUMENTS BY CATEGORY

Total 2008	As at 31 March Assets per Balance Sheet	Note	Loans and Receivables 2009	Available for Sale 2009	Total 2009
1	Investments	14		1	1
5,699	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	13	7,255		7,255
1,346	Cash and cash equivalents	15	1,709		1,709
7,046			8,964	1	8,965

Total 2008	Liabilities per Balance Sheet	Note	Liabilities at Fair Value through profit and Loss 2009	Total 2009
111,863	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	15	87,476	87,476
111,863			87,476	87,476

25b FINANCIAL RISK FACTORS

The 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 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 Board is not exposed to the degree of financial risk faced by business entities.

The Board has written credit control procedures.

a) Credit Risk

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

b) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the 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 Board is not therefore exposed to significant liquidity risks.

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

	Less than 1 year	Between 1 and 2 years
Trade and other payables excluding statutory liabilities	<u>87,476</u>	<u>102</u>

c) Market Risk

The Board has no powers 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 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

The Board is not exposed to foreign exchange rates.

iii) Price risk

The Board is not exposed to equity security price risk.

25c FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Valuation is at transaction price.

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



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 19/2/2006