



Grampian Health Board  
**Annual Report and Accounts**  
**2018/2019**



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

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 MARCH 2019**

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**ANNUAL REPORT  
PERFORMANCE REPORT  
a) OVERVIEW**

**1. Purpose**

This Overview aims to provide the reader with sufficient information to understand the NHS Board, its purpose, the key risks to the achievement of its objectives and how it has performed during the year. Should you wish to find out more detailed information we have provided this in the rest of the Performance Report, the Accountability Report and the financial statements.

NHS Grampian publishes a wide range of information on its services and activities on its website which you can find at: <http://www.nhsgrampian.org>

**1. Statement from the Chief Executive**

As we report on another year for NHS Grampian (the Board), I would like to express my thanks and appreciation to all our staff and partners for their fantastic work in supporting the provision of high quality health and social care to patients across the area. I have spent time throughout the year meeting frontline staff and have been very impressed by their professionalism and the quality of care being delivered.

Once again, the Board has successfully met its key financial targets for the year, spending c£1.2bn on providing the full range of health services to the population of Grampian and providing healthcare support and some specialist clinical services to other NHS Boards within the North of Scotland. This achievement would not be possible without the commitment that exists within the Board to the partnership working philosophy.

The support from the Grampian Area Partnership Forum and Professional Clinical Advisory structure has been invaluable in helping us develop workable solutions to successfully meet our challenges throughout the year. It is the professionalism and commitment of our staff that made our achievements possible and underpinned the delivery of high quality, safe and effective clinical services for our patients.

There have been many highlights during the year and a few I would mention include:

- The commencement of the enabling works for the new Baird Family Hospital and ANCHOR centre;
- The events held and being planned to celebrate the 50<sup>th</sup> anniversary of Fraserburgh Hospital and 200<sup>th</sup> anniversary of Dr Gray's Hospital (Elgin); and
- The commencement of the first major trauma service in Scotland from Aberdeen Royal Infirmary.

2018/19 has also seen real progress with some of our major capital investment projects. The new Health Centre at Foresterhill opened in May 2018 and the Inverurie Health and Care Hub opened in August 2018. We also completed the new Renal Dialysis Unit in Stonehaven, a fantastic example of local community involvement with over £1 million raised locally, through charitable donations to realise the dream and the ambition of having renal dialysis services in Stonehaven.

## **PERFORMANCE REPORT (cont)**

### **a) OVERVIEW (cont)**

#### **2. Statement from the Chief Executive (cont)**

Looking to the future we will continue to work closely with the three Health and Social Care Partnerships and our respective local authority partners and improving waiting times performance as reflected in our Annual Operational Plan. Recognising staffing as a key challenge, many of our recent initiatives involve new and expanded clinical roles such as practice pharmacists, triage nurses, advanced nurse practitioners and physician associates in both community and hospital settings.

Additionally we're progressing a number of innovative recruitment methods including attracting candidates from further afield, outside the UK and working very closely with our University partners.

I look forward to working with the Board, System Leadership Team, our staff and partners in addressing the challenges that we face and delivering the improvements that our key stakeholders and the people of Grampian expect from us.



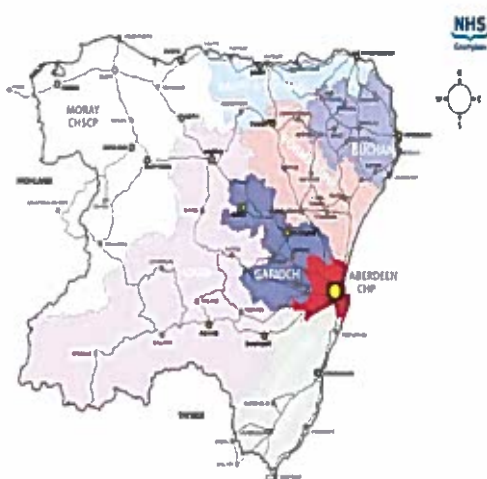
**Professor Amanda Croft**  
**Chief Executive**

## PERFORMANCE REPORT (cont)

### a) OVERVIEW (cont)

### 3. Background and Principal Activities

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



14,500 directly employed staff and a range of independent primary care practices (72 General Medical, 132 Pharmacy, 90 Dental and 57 Opticians) provide the full range of primary, community and specialist health services to the half-million people who live in Grampian.

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

In 2017/18 we treated 93,000 individual in patient cases, 45,000 day cases, 49,000 day patients, 419,000 patients attended our specialist out-patient clinics and our accident and emergency departments treated 153,500 people.

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

The Scottish Government are currently consulting on the roles and responsibilities of a new body, Public Health Scotland, which will be established from April 2020 in order to support and enable the wider public health system. Further information is available on the Scottish Government web site at the following link: <https://www.gov.scot>

### 4. Performance

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

- Improving health and reducing inequalities;

## PERFORMANCE REPORT (cont)

### a) OVERVIEW (cont)

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

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

During 2018/19 the Board has successfully met its financial targets while continually striving to deliver a safe and effective service within available resources.

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

Measure	Performance
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment by September 2015.	The percentage spending 4 hours or less in an A&E department for the year ending 31 March 2019 was 94.8%, above the Scotland wide rate of 91.3%.
Reduction in the number of patients awaiting discharge from hospital into a more appropriate care setting, once treatment is complete.	There were 99 patients delayed at the March 2019 census date - down from 118 in February 2018. Patients spent 3125 days in hospital due to delays in discharge in Grampian, a reduction in the same period last year.
12 week in patient / daycase Treatment Time Guarantee (TTG)	At 31 March 2019 47.3% of inpatients and 64.9% of out-patients had been seen within the 12 week target.
12 weeks for first outpatient appointment	Overall the number of patients breaching the Treatment Time Guarantee and Outpatient national access standard has improved since the start of the 30 month period of the National Improvement Plan and for the first time since 2016, the position at the end of the financial year (2018/19) is lower than at the start of the year. The figures for these periods are noted in the table below.
Cancer Access Times: 31 days from decision to treat (95%) and 62 days from urgent referral with suspicion of cancer (95%)	<p>Quarter to Dec 2018 – compliance rate with standard</p> <ul style="list-style-type: none"> <li>• 90.1% Grampian (31 day standard)</li> <li>• 94.9% Scotland (31 day standard)</li> <li>• 80.1% Grampian (62 day standard)</li> <li>• 82.7% Scotland (62 day standard)</li> </ul>

The Board has fully assessed the demand and capacity challenges impacting on access time performance and the outturn is within anticipated ranges submitted to Scottish Government. Action continues to be taken to enhance capacity within resources available. There is also a focus on improving efficiency and transforming services.

## PERFORMANCE REPORT (cont)

### a) OVERVIEW (cont)

A clinically led surgical classification system was in place during the year to ensure those in most need are treated first and action plans are in place for individual cancer pathways. The table below demonstrates the improvement in performance that has been delivered during the year and since the commencement of the waiting times improvement plan:

	<b>31 March 2018</b>	<b>30 September 2018</b>	<b>31 March 2019 (Actual)</b>	<b>31 March 2019 (Trajectory)</b>
Outpatients	13,370	15,957	12,512	14,950
Treatment Time Guarantee	4,924	5,425	4,716	5,821

The Board's non-financial performance measures focus on the Care Quality Commission's characteristics of a high performing organisation which demonstrate that the system is Safe, Well Led, Effective, Responsive and Caring. Within this context we have agreed with the Scottish Government Health and Social Care Directorates (SGHSCD) to prioritise a range of key performance indicators to encourage and track improvement in the Board's overall performance.

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

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

Further details of the Board's performance against the priority performance measures agreed with the SGHSCD is reported on pages 16-24 below.

## 5. Risk and Uncertainty

The Board's Clinical strategy, Annual Operational Plan and Strategic Risk Register set out the key priorities, challenges and risks facing NHS Grampian in future years and how these will be mitigated. The challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services and a high standard of operational performance, whilst remaining in financial balance and achieving our financial targets. Key identified risks include the transformation in our services necessary to manage the impact of changing demographics with both overall population numbers and the proportion of elderly in the population rising year on year and this trend is forecast to continue.

Other identified risks include the supply of skilled workforce, the need to invest to modernise our ageing infrastructure and equipment base and the risk to continuity of services arising from the uncertainty regarding the arrangements for the withdrawal of the UK from the European Union. The strategic risk register also highlights the mitigation measures and controls that are in place to manage these risks.



## PERFORMANCE REPORT (cont)

### a) OVERVIEW (cont)

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

The strategic Risk Register is summarised on page 7 below. More information on the Board's risk management processes is set out on pages 37 to 40 and the actions taken in the year to mitigate strategic risks is described on pages 40 to 44.

## 6. Clinical Strategy

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

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

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

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

### Projected population change – 2012-2037

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

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

## NHS GRAMPIAN STRATEGIC RISK REGISTER

Risk Title	Description	Current Risk Level
Quality and safety of Care	There is a risk that the focus on quality and safety of care across NHS Grampian and partner organisations could be compromised due to culture, service and financial pressures and/or a failure to monitor and implement improvements based on new evidence based guidance, evidence from quality audits, independent assessment, patient experience and recorded incidents.	HIGH
BREXIT	There is risk to continuity of services arising from the uncertainty regarding the arrangements for the withdrawal of the UK from the European Union.	HIGH
Infrastructure	There is a risk that our infrastructure will not be fit for purpose nor compliant with statutory requirements if we do not have an adequate medical equipment, information technology and backlog maintenance programme and plan for redesign and transformation of services.	HIGH
Innovation and Transformation	There is a risk that innovation and transformation is not focused on the key change issues related to the strategic themes of prevention, self-care, planned care and unscheduled care.	HIGH
Workforce	There is a risk that there are insufficient staff in the workplace to provide the required service provision which is driven by; supply challenges, availability and cost of supplementary staffing, capacity within the existing staffing resource, staff morale and workplace culture.	HIGH
Compliance	There is a risk that NHS Grampian and partners are exposed to legal and regulatory sanctions as a result of failure to comply with laws, regulations, internal rules and standards and codes of practice, applicable to the NHS. Potentially leading to legal penalties, financial forfeiture and loss of reputation.	HIGH
Involvement and Engagement	There is a risk that, if there is insufficient involvement and engagement of the public, patients, carers and staff all aspects of our operational and strategic business will be harder to deliver.	MEDIUM
Collaborative Working	There is a risk that, we will not be able to deliver effective and fit for purpose healthcare if future services are not integrated and developed in partnership with external partners, community and independent contract.	MEDIUM

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

**1. Financial Performance and Position**

**Consolidated Accounts**

The Annual Accounts consolidate the results of Grampian Health Board, Grampian Health Board Endowment Funds and the three IJB's (Aberdeen City, Aberdeenshire and Moray). The basis of consolidation, explained in note 1 Accounting Policies on page 71, is determined by the extent of control Grampian Health Board can effectively exercise over each of its partner organisations. All Trustees of the Grampian Health Board Endowment Funds are members of Grampian Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Grampian Health Board Endowment Funds in to the main Board accounts. Voting membership of each of the IJB's is however split equally between members of Grampian Health Board and members of each local council. The Board therefore has exactly half of the controlling interest in each IJB and, under IAS 28, is required to consolidate only this share of the net assets, as a Joint Venture, in to the main Board accounts.

The financial impact of consolidation is summarised below:-

<b>Partner Organisation</b>	<b>Reported Net assets 2018/19 £000's</b>	<b>Consolidated Net assets 2018/19 £000's</b>	<b>Consolidated Net assets 2017/18 £000's</b>
Grampian Health Board	386,862	386,862	383,665
Grampian Health Board Endowment Funds**	40,374	40,374	37,227
Aberdeen City IJB **	5,578	2,789	4,154
Aberdeenshire IJB ***	1,405	703	0
Moray IJB ****	256	128	388
<b>Consolidated Net Assets</b>	<b>434,475</b>	<b>430,856</b>	<b>425,434</b>

**Grampian Health Board Endowment Funds**

The Grampian Health Board Endowment Fund's (the Fund) net assets of £40.374 million represent £16.290 million unrestricted and £24.084 million restricted funds (2017/18: £37.227 million, £13.527 million unrestricted and £23.7 million restricted). The increase in net assets of £3.147 million (2017/18 £5,789 million decrease) relates to an in-year surplus on charitable activities of £0.413 million (2017/18 £5.069 million deficit), and a net gain on investments of £2.734 million (2017/18 £0.720 million loss).

Total income for the year was £3.017 million (2017/18: £4.998 million), £1.509 million (2017/18: £3.320 million) relating to donations and legacies and £1.508 million relating to dividends and interest on investments (2017/18: £1.678 million). The fall in income relates mainly to legacies, with £0.468 million received in 2018/19 compared to £2.213 million in 2017/18. Income from donations was at a reasonably consistent level between the two years with £1.041 million received in 2018/19 compared to £1.107 million in 2017/18. The reduction in income from investments relates mainly to the impact of recent political uncertainty on financial markets.

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)

#### 1. Financial Performance and Position (cont)

##### Grampian Health Board Endowment Funds (cont)

Total reported expenditure for the year was £2.604 million (2017/18 £10.067 million), £2.232 relating to grants for charitable activities (£2017/18 £9.720 million), £0.192 million on staffing and support costs (2017/18 £0.169 million) and £0.180 on investment management fees (2017/18 £0.178 million). The reported expenditure however includes a benefit of £1.695 million from an adjustment for the impact of a number of planned commitments provided for in prior years, which did not materialise as planned. The gross in year expenditure incurred on grant commitments, before this adjustment, was therefore £3.927 million. The underlying excess of expenditure over income, as in the prior year, again reflects the overall positive management of the Fund by Trustees, ensuring that donated funds are effectively utilised in line with the charitable objectives of the Fund, in accordance with donors wishes and that unnecessary surpluses do not accrue.

During the year, payments totalling £2.782 million (2017/18: £3.887 million) were made to Grampian Health Board to enable a range of research and other activities for the benefit of patients and £0.236 million (2018: £0.200 million) was received from Grampian Health Board mainly relating to income from research activities. Other charities and local community groups also benefitted from grants during the year to support a range of activities to improve the health and wellbeing of the people of Grampian. The full range of charitable activities of the Grampian Health Board Endowment Funds, including a copy of the 2018/19 annual report and accounts can be viewed at [www.nhsgcharities.com](http://www.nhsgcharities.com).

##### Aberdeen City Integration Joint Board

Aberdeen City IJB reported an overall deficit of £2.729 million for the year (2017/18: £2.111 million), reducing the retained reserves carried forward to £5.578 million (2017/18 £8.307 million). The in-year deficit is the result of planned use of transformational funding carried forward from prior years to support closer integration through the development of alternative models of care in the community. The retained reserve includes £2.5 million held as a general risk fund, £2.797 million earmarked to support community and primary care initiatives planned for future years and £0.281 million ring fenced funding provided by the Scottish Government to support the Primary Care Improvement Plan and Action 15 funding for the recruitment of additional Mental Health Workers, which will be fully utilised for this purpose in 2019/20.

Examples of recent joint initiatives include :-

- Implementing acute care at home model;
- Focusing on locality needs and solutions;
- Implementing integrated neighbourhood care in Aberdeen model;
- Increasing availability of care, particularly intermediate care;
- Increased use of technology enabled care and responder services;
- Targeted support for carers;
- Continuation of the Silver City project – a self-management approach to tackling social isolation for the older population at risk of hospital admission; and
- Increased pharmacy support for GP practices

A copy of the 2018/19 Aberdeen City IJB annual report and accounts can be viewed at the following [link](#)

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**  
**1. Financial Performance and Position (cont)**

**Aberdeenshire Integration Joint Board**

Aberdeenshire IJB reported a surplus for the year of £1.405 million (2017/18: deficit of £0.02m). This reflects :

- A deficit for the year against the revenue budget of £3.137 million.
- Additional funding contributions by partners to adjust the position to breakeven. NHS Grampian contributed £1.742 million and Aberdeenshire Council contributed £1.395 million (2017/18: £3.465 million, £1.990 million from NHS Grampian and £1.475 million from Aberdeenshire Council) in line with the partner shares agreed as part of the integration scheme.
- The establishment of an earmarked reserve of £1.405 million to reflect slippage in committing specific Scottish Government funding for the Primary Care Improvement Fund and Action 15 funding for Mental Health Workers. The creation of the earmarked reserve is reflected as a surplus in the IJB's Annual Accounts.

Examples of recent initiatives include:-

- A Mainstream Homecare project to progressively and purposefully shift the balance of homecare provision to enable the internal home care service to focus on four key themes of enablement, rapid response, complex cases and hard to reach cases in remote areas.
- The ARCH Responder Service which supports both unplanned and planned care and is a key element of the Uninjured Fallers pathway.
- Continued development of the Joint Equipment Service which enables patients to reduce length of stay in hospital and enables them to remain for longer in their own homes.
- Specific projects within the Technology Enabled Care project including: Development of Aberdeenshire's approach to Digital Health & Care; Home and Mobile Health Monitoring; Video Consultation; and Telecare.
- Continued development and operation of the Virtual Community Ward which has enabled an estimated 1,640 hospital admissions to be avoided over a three year period.
- Progressing the Integrated Working for Multi-Disciplinary Core Teams project with the aim of enhancing joint working by developing a one team approach. The project will reshape core teams to be financially sustainable by removing any areas of waste and duplication.
- Developing the rehabilitation and enablement pathway in order to use the skills of all team members effectively to support the person to recover and regain their abilities following a period of illness, injury or increase in frailty.

A copy of the 2018/19 Aberdeenshire IJB annual report and accounts can be viewed at the following [link](#)

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**  
**1. Financial Performance and Position (cont)**

**Moray Integration Joint Board**

Moray IJB reported a surplus for the year of £0.256 million (2017/18: deficit of £1.928m) this reflects:

- A deficit for the year against the revenue budget of £1.193 million.
- Additional funding contributions by partners to adjust the position to breakeven. NHS Grampian contributed £0.752 million and Moray Council contributed £0.441 million (2017/18: nil) in line with the partner shares agreed as part of the integration scheme.
- The establishment of an earmarked reserve of £0.256 million to reflect slippage in committing specific Scottish Government funding for the Primary Care Improvement Fund and Action 15 funding for Mental Health Workers. The creation of the earmarked reserve is reflected as a surplus in the IJB's Annual Accounts.

Examples of recent joint initiatives include :-

- Reshaping Care at home programme including Jubilee Cottages in Elgin as halfway homes for people ready to leave hospital so they can work on regaining independence in a homely setting;
- Continuation of roll out of creative self directed support options;
- An increase in the delivery and flexibility of respite provision;
- Increased range of improvement programmes including modernisation of primary care, out of hours redesign, a focus on dementia and older people in acute care;
- In partnership with Hanover Scotland and Moray Council, the development of Varis Court to provide tenanted flats and 'close to nursing home care' for older people, including those with dementia; and
- Pharmacy support for GP practices.

A copy of the 2018/19 Moray IJB annual report and accounts can be viewed at the following [link](#)

**Grampian Health Board performance against statutory financial targets**

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

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

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

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**  
**1. Financial Performance and Position (cont)**

<b>Statutory Financial Targets</b>	<b>Limit as set by SGHSCD £000's</b>	<b>Actual Outturn £000's</b>	<b>Variance Under £000's</b>
Core Revenue Resource Limit	1,035,183	1,035,085	98
Non-Core Revenue Resource Limit	33,606	33,606	-
Core Capital Resource Limit	27,348	27,348	-
Non-Core Capital Resource Limit	(1,579)	(1,579)	-
Cash Requirement	1,120,679	1,120,679	-

<b>Memorandum for In Year Out-turn</b>	<b>£000</b>
Reported surplus in 2018/19	98
Brought forward surplus from previous financial year	(1,022)
<b>Deficit against in year total Revenue Resource Limit</b>	<b>(924)</b>

A cumulative surplus of £0.098 million was reported for the two years 2017/18 and 2018/19. The retained surplus of £1.022 million reported in 2017/18 was carried forward and utilised during 2018/19, through prior agreement with the SGHSCD.

The efficiency savings target of £12.7 million for the year was achieved in full through the continued implementation of a range of initiatives including reduced energy costs from investment in more efficient infrastructure, property rationalisation, focused procurement activity to reduce the unit costs of consumables, introduction of biosimilar drugs as alternative treatment regimes and productivity improvements through investment in technology and redesign of services to enable reduced staffing levels in back office functions and redeployment of clinical staff to areas of greatest need. Recurring savings amounted to £8 million and non-recurring of £4.7 million.

The provision for impairment of receivables is quantified at £1.8 million (2017/18 £1.7 million) and is disclosed under trade and other receivables in note 9 on page 99.

At the year end the Board provided £49 million for legal obligations arising from clinical negligence and other employer liability claims (2017/18 £50 million). Details are provided in note 13 on page 103.

**Impact of IJBs on Health Board Accounts - pre consolidation**

Each of the three IJBs in Grampian (Aberdeen City, Aberdeenshire and Moray) are established as a separate legal organisation under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and have full delegation of functions and resources, acting as principal in their own right, to enable integration of primary and community health and social care services. Accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services.

## **PERFORMANCE REPORT (cont)**

### **b) PERFORMANCE ANALYSIS (cont)**

#### **1. Financial Performance and Position (cont)**

The consequence of this in the Health Board's accounts, is expenditure of £528.481 million (2017/18 £505.582 million), income of £522.580 million (2017/18 £507.708 million) and a net retained reserve relating to IJB directed health services of £11.8 million (2017/18 £4.9 million). The expenditure is included in note 3 on page 90 and income in note 4 on page 91.

#### **2. Property Valuation**

All property was revalued by the Valuation Office Agency (VOA), independent specialists in property valuation, on the basis of market value, depreciated replacement cost or existing use value as at 31 March 2019. The values were calculated in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS and applied to reflect local market conditions at 31 March 2019. The effect of this revaluation on individual assets was some gained value while others were impaired. The impact of those assets subject to an upward movement in valuation was an increase to the revaluation reserve of £4.714 million (2017/18: £30.788 million). The net value of impairment on those assets subject to a downward movement in valuation, after utilising any available revaluation reserve, was £3.215 million (2017/18: £9.835 million) and this was charged to net operating expenditure within the Statement of Comprehensive Net Expenditure. The SGHSCD have provided additional non recurring funding to compensate for this charge.

#### **3. Infrastructure and Non Current Assets**

The Board delivered a programme of infrastructure investment totalling £37.956 million during 2018/19. This overall programme was resourced using a combination of capital funding from the SGHSCD (£25.769 million; split core CRL £27.348 million and non-core CRL of negative £1.579 million, see note 7d), income from donations (£1.357 million; split capital £1.222 million and revenue £0.135 million), revenue budgets made available to support estates maintenance (£10.419 million) and £0.411 million from the net book value of asset disposals.

The negative non-core Capital Resource Limit (CRL) of £1.579 million related to a repayment of non-core capital funding to the SGHSCD arising from the difference between the fair value on completion of the Hub funded Foresterhill Health Centre and the Inverurie Health and care Hub (existing use value, as assessed by the Valuation Office Agency), and the funding received in prior years to cover the notional costs of work in progress, based on actual construction cash flows in line with IPSAS 32.

Major investments during the year include:

- Ongoing design, site preparation and enabling works for the Baird Family Hospital and Anchor centre (£8.6 million);
- Ongoing planning and development costs in support of the Elective Care services project (£0.6m);
- Completion of the Community Renal Dialysis Unit at Kincardine Community Hospital (£0.1m), funded entirely through local charitable contributions;



## **PERFORMANCE REPORT (cont)**

### **b) PERFORMANCE ANALYSIS (cont)**

#### **3. Infrastructure and Non Current Assets (cont)**

- Completion of Ligature reduction works in Huntly ward and continuation of the roll out of Ligature reduction works across Acute Mental Health assessment wards at Royal Cornhill Hospital (£2.5m);
- Completion of the Day of Surgery Admission Units at Aberdeen Royal Infirmary and Woodend Hospital (£0.9m);
- Commencement of works to create an upgraded single site facility for the Child and Adolescent Mental Health services (£0.7m), expected to become operational in early summer 2019;
- Investment of £9.7 million to progress our agreed programme to reduce high and significant risk backlog maintenance across our estate including completion of the refurbishment of accommodation in Phase 1 at ARI to enable relocation of the Eye Out Patient Department, completion of work in the basement levels in Phase 2 of ARI to ensure compliance with Fire and other statutory regulations, upgrade of the electrical infrastructure in the Laboratories link building at ARI and a range of other essential backlog maintenance and statutory compliance issues at a number of other locations across the estate;
- Investment of £16 million in replacement of essential plant, IT and medical equipment.
- Investment of £0.5m to progress various minor schemes including minor primary care premises improvements, greenspace initiative and reconfiguration of accommodation in Roxburgh House.
- Completion of the replacement of Inverurie and Foresterhill Health Centres funded through the Hub initiative. Foresterhill Health Centre opened in May 2018 and the Inverurie Health and Care Hub became operational in August 2018.

Details of all Hub (PPP) schemes are included in note 17.

#### **4. Fraud, Bribery and Corruption**

NHS Grampian has a zero tolerance for fraud, bribery or corruption. Staff are briefed regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including targeted training in relation to absence fraud and cybercrime. In addition the Board have continued to develop arrangements for the disclosure of information in the corporate register of interests, gifts and hospitality. During the year, NHS Scotland Counter Fraud Services also performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for Grampian indicates that the level of income from dental and ophthalmic charges in the year to 31 December 2018 could potentially have been £0.4 million higher (2017/18: £0.4 million) due to incorrect claims.

#### **5. Pension Liabilities**

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure of the costs is shown within Note 18 and the Remuneration Report.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

**6. Payment Policy**

NHS Grampian is committed to supporting the Scottish Government in helping businesses during the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies and NHS Grampian is actively working towards achievement of this accelerated payment target. In 2018/19, the average credit taken was 8 days (2017/18: 8 days). In 2018/19 97% of invoices by value (2017/18 97%) and 96% of invoices by volume (2017/18 96%) were paid within 30 days. In 2018/19 94% of invoices by value (2017/18 94%) and 91% of invoices by volume (2017/18 91%) were paid within 10 days.

**7. Social Matters**

NHS Grampian promotes equality and celebrates diversity both in the services we provide and within our organisation. We also take our duty to promote equality and diversity in the wider community very seriously. The challenge for the Board is to maintain the excellent progress achieved to date, taking forward work for all 9 "protected characteristics" which make up equality and diversity. These "protected characteristics", as defined by the Equality Act 2010 are: race, disability, age, sex (male or female), sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership and religion or belief. The Board has embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports including the following key updates on progress:

- An NHS Grampian Equality Outcomes Update Report 2017-2021, published in March 2019;
- An NHS Grampian "Mainstreaming" Update Report for 2017-2021, published in March 2019;
- An NHS Grampian Equal Pay Monitoring Report, published in April 2017; and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2017/18.

Other non-Statutory Equality and Diversity Monitoring Reports on a wide range of topics have also been published.

During 2018/19, over 1,200 NHS Grampian staff received "face to face" Equality and Diversity Training at a level appropriate to their role in the organisation. All participants receive their own personal copy of the Human Rights Act 1998. This is then discussed in detail, with appropriate examples. Topical social matters are also included in all of our training sessions. For example,

**Human Trafficking**

A current serious social issue in Grampian is Human Trafficking. This has been covered in detail at every training session for the last 4 years. All participants receive their own personal copy of the Police Scotland leaflet: "Human trafficking, Reading the Signs". We also use anonymised local examples of trafficking.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**  
**7. Social Matters (cont)**

**Demographic Changes and Social cohesion**

Grampian is one of the most attractive areas in Scotland for inward migration. The changing demography of Grampian is covered in all of our training sessions. Over the last 2 years, special emphasis has been given to meeting the needs of New Syrian migrants, who have settled in Grampian. We have included the topic of social cohesion at every training session for the last 5 years.

**Consultation and involvement events with our local ethnic communities**

Since 2008, NHS Grampian has carried out at least 5 involvement and consultation events with our local ethnic communities every year. These are carried out on a joint basis with the Grampian Regional Equality Council. On average, over 170 members of our local ethnic communities attend. The events are advertised and presented in over 7 different local ethnic community languages. Our research has shown that over 95% of our local ethnic community members are non-English speaking when they first arrive in Grampian.

The information collected allows us to plan effectively to meet the healthcare needs of our local ethnic communities. This work is also outreach, we provide a wide range of information in the main local ethnic community language to participants and encourage them to register with their local GP.

More information on the above is available on the NHS Grampian website at this [link](#)

**8. Performance Indicators**

The Board's non-financial performance measures focus on the Care Quality Commission's characteristics of a high performing organisation which demonstrate that the system is Safe, Well Led, Effective, Responsive and Caring. The key performance indicators used by the SGHSCD to hold Boards to account are known as national standards and these are supplemented by a range of local measures and targets to encourage and track improvement. Within this context we have agreed with the Scottish Government Health and Social Care Directorates (SGHSCD) to prioritise, for improvement, a range of key performance indicators in the following areas :-

- Unscheduled Care
- Planned Care
- Mental Health
- Infection Control
- Other annual operational plan indicators

The performance report on progress against these key areas considered at each Board meeting can be accessed at the following [link](#). Performance against these areas should be considered in the context of a continued rise in activity across primary, community, social care and acute services.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

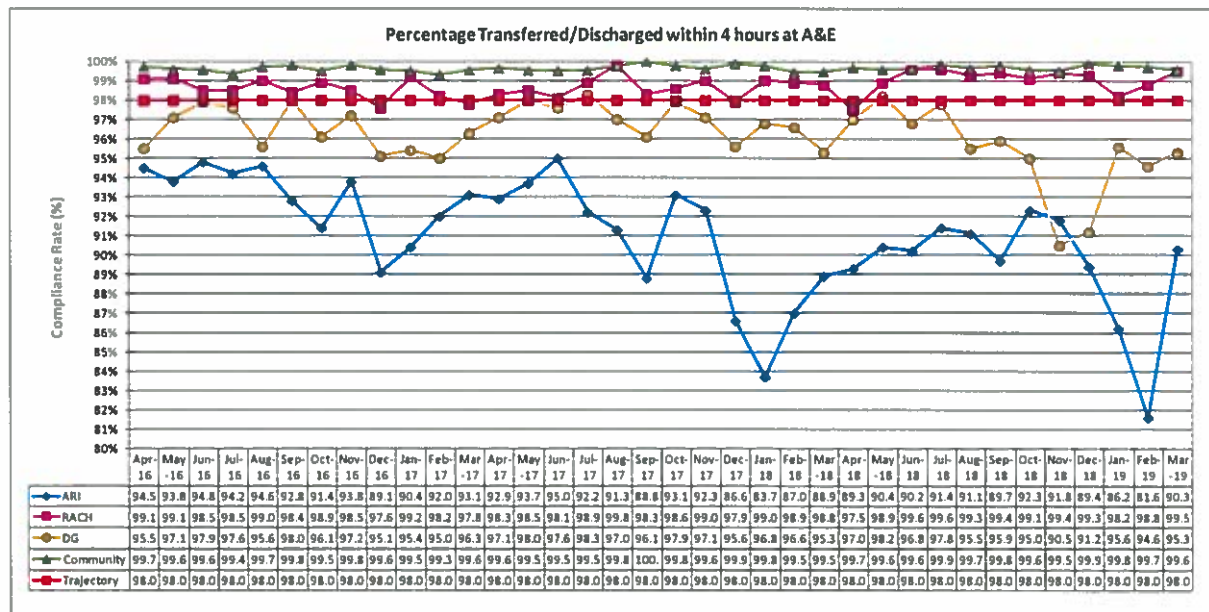
Performance is also reviewed in public at an Annual Review meeting. The most recent Annual Review meeting was held on 29 April 2019. Further details including the summarised outcome can be accessed at the following [link](#).

The following information summarises performance against these agreed key priority areas, using the most up to date published information available at the time of writing :-

**Unscheduled Care**

Measure	Performance
98% of patients should wait no more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment by September 2015.	The percentage spending 4 hours or less in an A&E department for the year ending 31 March 2019 was 94.8%, above the Scotland wide rate of 91.3%.
90% of people to be admitted to the unit within one day of stroke.	This was only achieved in three months over the two year period between April 2016 and March 2018 but has been reached in seven months during this year alone and achieved a new high of 97.8% in February 2019.

In common with elsewhere in Scotland, delivery of the 4 hour standard has been challenging. However, performance within NHS Grampian remains above the Scottish average in terms of performance against the national standard.

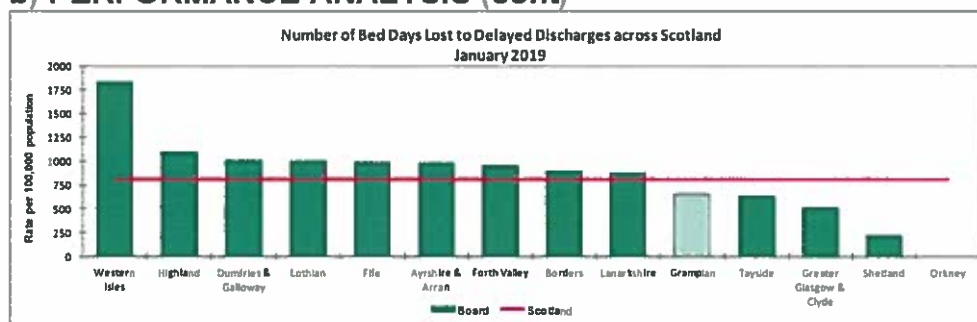


In terms of our performance in relation to delayed discharges, there has been a concerted effort in Grampian to reduce the number of people delayed in hospital awaiting discharge and the length of time they are delayed. Whilst there are fluctuations from month to month and seasonally an overall downward trend can be demonstrated.

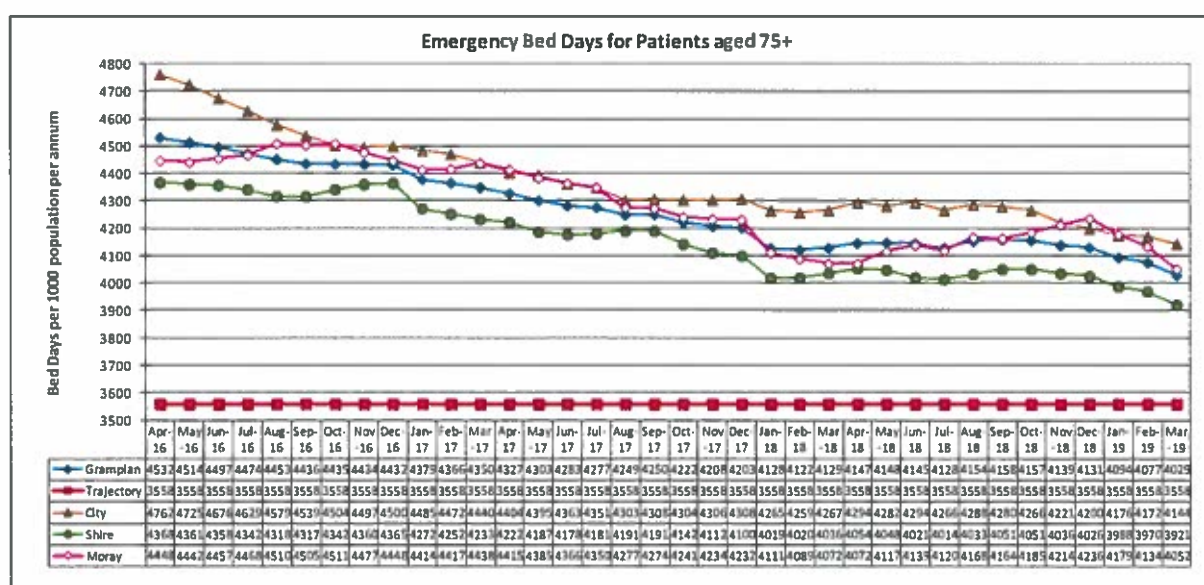
**FAST**  
 97% patients admitted to specialist stroke care within one day

## PERFORMANCE REPORT (cont)

### b) PERFORMANCE ANALYSIS (cont)



Emergency bed days, for over 75s have been on a downward trend since April 2016. The latest figure, for the year ending March 2019, was 4029 bed days per 100,000 population which was 2.8% lower than for the year ending March 2018. The reduction was greatest in Aberdeen City, at 2.9% compared to 2.8% in Aberdeenshire and 0.5% in Moray.



### Actions for 2019/20

Health and Social Care Partnerships have developed performance plans for the following indicators

- Unplanned admissions
- Unplanned bed days
- A&E attendances
- Delayed discharge bed days
- Last 6 months of life at home
- Balance of care

These plans set out how the partnerships, with their wider communities and the Board will deliver optimum performance within resources available. Each partnership has developed Strategic Commissioning Plans. These provide more detailed information as well as the demographic and workforce challenges which are faced and which could detrimentally impact on delivery of planned targets for the future.

The Health Board will continue to implement appropriate surge plans and the action plan against the Scottish Government six essential actions.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

**Planned Care**

In terms of performance the latest position in terms of the number of patients waiting longer than 12 weeks for outpatients and Treatment Time Guarantee is summarised below:

	<b>31 March 2018</b>	<b>30 September 2018</b>	<b>31 March 2019 (Actual)</b>	<b>31 March 2019 (Trajectory)</b>
Outpatients	13,448	15,957	12,512	14,950
Treatment Time Guarantee	4,924	5,425	4,716	5,821

At 31 March 2019 47.3% of inpatients and 64.9% of out-patients had been seen within the 12 week target. Overall the number of patients breaching the Treatment Time Guarantee and Outpatient national access standard has improved since the start of the 30 month period of the National Improvement Plan and for the first time since 2016, the position at the end of the financial year (2018/19) is lower than at the start of the year.

We have welcomed the significant additional investment from Scottish Government to increase capacity to provide recurring sustainability and to address the existing backlog. This has supported the provision of additional capacity approved at the start of the 2018/19 financial year in the following areas:

- Dr Gray's Hospital – additional general surgery capacity
- Fernbrae Hospital – additional Ear, Nose and Throat capacity
- Woodend Hospital – additional orthopaedic capacity
- ARI theatre sessions – targeted at patients with the longest waits.
- Stracathro Hospital – additional sessions targeted at patients with the longest waits

The Board has also implemented an improvement programme which has increased day of surgery admission, optimised outpatients capacity and improved day case activity.

**Actions for 2019/20**

The Board's Annual Operational Plan for 2019/20 seeks continued funding to support the retention of this additional capacity whilst we progress plans for the new diagnostic and treatment centre and sourcing additional permanent workforce to reduce our current dependency on temporary staffing and use of the independent sector. We have also submitted a separate plan to significantly reduce the number of patients who have waited more than 78 weeks for treatment.

**Cancer**

Measure	Performance
	Quarter to Dec 2018 – compliance rate with standard
31 days from decision to treat (95%) and	<ul style="list-style-type: none"> <li>• 90.1% Grampian (31 day standard)</li> <li>• 94.9% Scotland (31 day standard)</li> </ul>
62 days from urgent referral with suspicion of cancer (95%)	<ul style="list-style-type: none"> <li>• 80.1% Grampian (62 day standard)</li> <li>• 82.7% Scotland (62 day standard)</li> </ul>

## **PERFORMANCE REPORT (cont)**

### **b) PERFORMANCE ANALYSIS (cont)**

Improving cancer performance remains a Board priority and we have welcomed the additional support that has been made available to assist us with our planning. To enhance our capacity to improve performance we have:

- Appointed a Medical Lead for Cancer Performance and a Head of Cancer (Pathways and Access) to provide the leadership and capacity to support the implementation of improvements across all cancer pathways; and
- Increased MDT co-ordinator capacity to ensure we have clinical management plans for all patients with a cancer diagnosis. Each cancer pathway has an action plan which is reviewed regularly.

The published performance highlights the continued challenges we are facing in meeting the 31 and 62 day access standards.

#### **Actions for 2019/20**

The medical lead for cancer pathways and strategic leadership will be fully in place by May 2019; the priority is to lead the clinical teams through the identification of pathway impediments and redesign (with support from the service improvement team) to improve patient journeys for people with cancer. The MDT co-ordinators are adhering to the national classifications to ensure all patients with cancer, on pathways, are managed and recorded accordingly.

The key areas of focus for 2019/20 will be to improve all pathways but in particular colorectal and urology. Our aim would be to address the ongoing capacity issues within endoscopy, particularly impacting upon colorectal screening pathway and access to theatres.

Moving forward it is anticipated that there will be a reduction in the number of patients waiting within the urology pathway by the end of May 2019; performance across colon cancer pathways will improve with increased access to endoscopy and theatre time. Currently urology and colon cancers account for 85% of the patients waiting beyond 62 days for treatment.

#### **Mental Health**

##### **a. Inpatient and specialist services**

The revised operational arrangements implemented in November 2018 within Royal Cornhill Hospital continue. The consolidation of inpatient services into five wards was undertaken in close partnership with staff and patients. The implementation of these arrangements is being overseen by the Mental Health Clinical and Care Governance Committee and the Board's Clinical Governance Committee.

As a result of the changes, staff to patient ratios have improved and there has had been no impact on access to inpatient facilities for patients requiring admission. Our staffing complement has improved following recruitment of additional newly qualified nurses and we continue to use bank and agency nursing staff to increase capacity, where appropriate. However, we remain at staffing levels lower than funded establishment.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

As highlighted in the action plan submitted to the Cabinet Secretary the integration of acute and community mental health is well established across Grampian, with multi-disciplinary, multiagency mental health teams aligned to specific general practices in each IJB sector (Moray, Aberdeen and Aberdeenshire) and associated care pathways established to specific wards at Royal Cornhill Hospital and Dr Gray’s Hospital (Elgin) should an acute episode require admission for a patient. The pathway is designed to support individuals in the community and to ensure wherever possible that the requisite resources are in place close to home. The effectiveness of this model is reflected in the comparatively lower bed base, low cost specialist service in Grampian and, for example, the low Emergency Detention Certificates rates.

**Actions for 2019/20**

The action plan in response to the challenges within Royal Cornhill Hospital submitted to Scottish Government set out how we would deliver the following:

- An integrated strategic plan for the provision of mental health services which optimises outcomes to meet population need and implement the appropriate reporting and governance processes; and
- Transition of the inpatient services to be formally hosted for strategic planning and operational delivery within an Integration Joint Board (IJB) of which there are three in Grampian.

The high level framework and process for the development and governance of an integrated system wide strategic plan has been agreed with the three Integration Joint Boards and dedicated senior leadership and strategic planning capacity has been put in place to facilitate the implementation of the action plan. We remain on target to complete the following key tasks by the due date:

- Approval of a co-produced integrated strategic plan by the three Integrated Joint Boards in partnership with relevant parties (By 30 September 2019)
- Formal agreement of the revised delegation arrangements by 1 October with full implementation from 1 April 2020

**CAMHS**

Measure	Performance
18 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (90%)	Quarter to Dec 2018 41.1% Grampian (72.8% Scotland)

All patients who have been on the waiting list have been sent an appointment with a named clinician. Furthermore the wait to assessment is now 6-8 weeks in Aberdeen City and Aberdeenshire and all patients seen from this point forward will be given their treatment appointment at their assessment appointment. We anticipate that following the appointment of additional staff the service could potentially meet the 18 week waiting time target by late Autumn 2019.



## **PERFORMANCE REPORT (cont)**

### **b) PERFORMANCE ANALYSIS (cont)**

A CAMHS whole system redesign has been implemented in Grampian and is now nearing conclusion. After an extensive organisational change and engagement process (involving key partners, staff, patients and carers), the CAMHS services have now been redesigned for all children and young people aged between 0-18 years including learning disabilities. This will enable the service to provide safe, effective, equitable and efficient care regardless of age or location of the patient needing seen.

NHS Grampian uses the Choice and Partnership Approach (CAPA). This is a model of service delivery which provides job planning to ensure efficiency and also equitable delivery of capacity by all staff members. We now have a standard referrals process and have expanded the multi-disciplinary team employing a speech and language therapist, a physiotherapist, dietician and occupational therapists. We have appointed to all posts across the service and we do not have any problems currently recruiting to vacant posts.

A new strategic multiagency meeting has been commissioned focused on supporting mental wellbeing in order to prevent mental ill health. The main areas of focus are to deliver standardised training for the parenting programmes and anxiety reduction across the region.

#### **Actions for 2019/20**

In terms of further steps, £1m has been granted from the Scottish Government Health and Care Directorate to facilitate the co-location of the CAMHS services for Aberdeen and Aberdeenshire on a single site. CAMHS has been delivered care from 4 separate sites, by 3 separate teams all operating different age ranges and different models of delivery of care. Building works are due to finish by June 2019. This new facility will have many new benefits to patients, and staff, and in addition it will provide increased capacity and space to house new staff to ensure the workforce has enough clinical space to see patients. Support is also being provided by the Archie Foundation and there has been extensive ongoing input from the Patient Involvement Team, stakeholders and staff to ensure that the new site is fit for purpose.

The service has welcomed and has been working closely with the Mental Health Access Improvement Support Team (MHAIST) to review current arrangements and identify opportunities to improve access and reduce waiting times. The report arising from the MHAIST review has been agreed and an action plan developed. There has been an overall improvement in waiting times by 27% in the last year. Children who have been referred are prioritised and all emergency cases are seen within 48 hours; all urgent cases are seen within 7 days. Additional clinics have also been offered to all staff in CAMHS for this quarter to help reduce longest waits (which are mainly for neurodevelopmental conditions).

The NHS Grampian Board has agreed to provide an additional £1m over the next five years to increase capacity within the service. This is in addition to funding that will be made available by the Scottish Government. The service is developing a workforce plan to support the implementation of this investment. In addition to this the service has been working closely with National Education Board for Scotland (NES) and have secured increased funding for training posts in both the masters and doctoral training programmes. The service also has secured NES funding to enable NHS Grampian staff to train and skill up staff within schools to manage anxiety and this funding will continue until March 2020.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

The service has also submitted an early plan to access a share of the £5m investment being made available by the Scottish Government to support the implementation of the recommendations being made the national taskforce. This should result in an additional £0.5m in local resources to fund a new nurse led unscheduled care team and increased support for Early Intervention services in Tier 1 and 2. Whilst noting the welcome additional investment in services, the three local authorities have discontinued their funding of the CAMHS services hosted by NHS Grampian through Changing Children's Services.

**Infection Control**



**76%**  
 reduction in  
 healthcare  
 associated  
 C.Difficile in  
 last 6 months

Measure	Performance
Clostridium difficile infections per 1000 occupied bed days	7.6 cases per 100,000, compared to 13.8 average for NHS Scotland
SAB infections per 1000 acute occupied bed days (0.24)	19.7 cases per 100,000 bed days, higher than Scotland at 17.7.

Cleanliness and good clinical practice are high priorities for NHS Grampian. The Board participates fully in the Scottish Patient Safety Programme, which aims to improve the safety and reliability of healthcare and reduce harm, wherever care is delivered and receives regular reports on all aspects of Healthcare Associated Infection. Performance including rigorous auditing of compliance with hand washing and cleanliness is closely monitored by the Clinical Governance Committee. Each new case is discussed at a weekly multidisciplinary team meeting involving, where appropriate, Infection Prevention and Control Doctor(s), Infection Prevention and Control Nurses, Surveillance Nurse, Antimicrobial Pharmacist, and a microbiology registrar. By close investigation of each case and typing of the organisms, when indicated, the Infection Prevention and Control Team is assured that there have not been any outbreaks of CDI.

**Actions for 2019/20**

In respect of the learning from the requirements and recommendations published in the Unannounced Inspection Report - Safety and Cleanliness of Hospitals, Queen Elizabeth University Hospital, the Board considered a report from the Director of Nursing, Midwifery and Allied Health Professions at its April 2019 meeting. The NHS Grampian Board noted the NHS Grampian assessment of the current position and endorsed the further actions to be implemented relating to performance, assurance, improvement and risk management of health hazards in healthcare environments and in response to the:

- Scottish Parliament Health and Sport Committee's short inquiry on Health Hazards in the Healthcare Environment; and
- Scottish Government, relating to the 14 requirements identified at Queen Elizabeth University Hospital

The report to the Board also provided evidence of the overall approach adopted within NHS Grampian to demonstrate continuous improvement through learning and being transparent about performance and associated risks. This is integral to the effective management, governance and accountability of NHS Grampian.

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

**Other Annual Operational Plan indicators**

Measure	Performance
At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation	We continue to deliver this standard in full with 88.9% booked in 2017/18 compared to 84% across Scotland
Eligible patients commence IVF treatment within 12 months (90%)	We continue to deliver to this standard with the last published data for the period to September 2018 confirming 100% of eligible patients commencing IVF treatment within 12 months
Sustain and embed alcohol brief interventions in 3 priority settings (primary care, sexual health, antenatal) and broaden delivery in wider settings	<p>In 2017/18, there were 8,343 Alcohol Brief Interventions (ABI) carried out in Grampian, compared to the target of 6,658 Grampian. An increase of 50% was seen in wider setting delivery compared to 2016/17. This was almost exclusively due to Aberdeenshire and embedding of alcohol screening and brief intervention in Justice settings, a good example of an intervention that targets inequalities of alcohol misuse.</p> <p>Alcohol Screening and Brief Intervention strategy for Grampian 2018 - 21 builds on current learning and adapts to the provisions made in the 2018 GP contract.</p>
Sustain and embed successful smoking quits, at 12 weeks post quit, in the 40% of SIMD areas	<p>The LDP target set by Scottish Government for 2017/18 was 1,149 twelve week quits from our 40% most deprived areas. This is equivalent to 2.2% of the smoking population in Grampian and much higher than the target set for other Boards.</p> <p>We therefore set our own target of 792 twelve week quits from our 40% most deprived areas based on the national average LDP of achieving 1.5% quits of the smoking population. We are currently focusing quit activity within HMP Grampian</p>

**PERFORMANCE REPORT (cont)**  
**b) PERFORMANCE ANALYSIS (cont)**

**9. Sustainability and the Environment**

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

Further information on the Scottish Government's approach can be found in the [Climate Change Plan 2018-2032](#) while national reports can be found at the following resource: <https://sustainablesotlandnetwork.org/reports>

**10. Events after the end of the reporting period**

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

..... Amanda Croft .....

**Professor Amanda Croft**  
**Chief Executive**  
**Grampian Health Board**

**25 June 2019**

## **ACCOUNTABILITY REPORT**

### **a) CORPORATE GOVERNANCE REPORT**

#### **i) THE DIRECTORS' REPORT**

### **1. Naming Convention**

NHS Grampian is the common name of Grampian Health Board.

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

### **2. Date of Issue**

The Accountable Officer authorised these financial statements for issue on 25 June 2019.

### **3. Going Concern**

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 72.

### **4. Accounting Convention**

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of the Grampian Health Board Endowment Funds (operating as NHS Grampian Endowment Funds). Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation. The Annual Accounts also consolidate the Board's interest in the three Integration Joint Boards (IJB's); Moray, Aberdeen City and Aberdeenshire, established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements, each IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint arrangements, the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by the Scottish Ministers, which is reproduced on page 115 of these accounts. The statement of the accounting policies, which have been adopted, is shown at Note 1 to the Accounts on page 70.

### **5. Appointment of Auditor**

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2020/21, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland, to undertake the audit of Grampian Health Board. The general duties of the auditor of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General which can be accessed on the Audit Scotland website at the following link : <https://www.audit-scotland.gov.uk>

The Trustees of NHS Grampian Endowment Funds appointed Scott Moncrieff as external auditor, for the financial year 2018/19.

**ACCOUNTABILITY REPORT (cont)**  
**CORPORATE GOVERNANCE REPORT (cont)**  
**i) THE DIRECTORS' REPORT (cont)**

## **6. Role of the Board**

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

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

All Board members are also trustees of the NHS Grampian Endowment Funds, a registered charity established by the NHS (Scotland) Act 1978 and subject to the legal framework of the Charities and Trustee Investment (Scotland) Act 2005. The charitable purpose of NHS Grampian Endowment Funds is to enhance healthcare and patient welfare in Grampian, through:

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

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

## **7. Board Membership**

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

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

**ACCOUNTABILITY REPORT (cont)**  
**CORPORATE GOVERNANCE REPORT (cont)**  
**i) THE DIRECTORS' REPORT (cont)**

**Chair :** Professor Stephen Logan (to 31 December 2018)  
Dr Lynda Lynch (Chair from 1 January 2019).

**Vice Chair :** Mrs Christine Lester (to 31 October 2018)  
Mrs Rhona Atkinson (Vice Chair from 1 November 2018)

**Non-Executive Members:**

Mrs Amy Anderson  
Mrs Rhona Atkinson (Vice Chair from 1 November 2018)  
Dame Anne Begg (to 31 December 2018)  
Councillor Frank Brown (to 11 September 2018)  
Ms Kim Cruttenden (from 1 October 2018)  
Councillor Isobel Davidson  
Ms Joyce Duncan (from 1 November 2018)  
Mrs Sharon Duncan (to 31 August 2018)  
Mrs Luan Grugeon  
Professor Steven Heys (to 11 March 2019)  
Ms Rachael Little (from 1 September 2018)  
Councillor Douglas Lumsden  
Dr Lynda Lynch (Chair from 1 January 2019)  
Dr Helen Moffat (to 30 September 2018)  
Councillor Shona Morrison (from 12 September 2018)  
Mr Jonathan Passmore  
Mr Sandy Riddell (from 1 November 2018)  
Mr Dennis Robertson (from 1 February 2019)  
Mr Eric Sinclair (to 31 December 2018)  
Mr John Tomlinson (from 1 February 2019)

**Executive Members:**

Mr Malcolm Wright Chief Executive (to 31 August 2018)  
Professor Amanda Croft Interim Chief Executive (from 1 September 2018)  
Director of Nursing, Midwifery and Allied Health  
Professions (to 31 August 2018)  
Professor Nick Fluck Medical Director  
Mr Alan Gray Director of Finance  
Mrs Susan Webb Director of Public Health

Mr Malcolm Wright was appointed Chief Executive for NHS Tayside on 11th April 2018 in addition to his role as Chief Executive of NHS Grampian. During the period 1 April to 31 August 2018, Mr Wright remained accountable officer with overall responsibility for NHS Grampian. Professor Amanda Croft assumed accountable officer responsibilities as Interim Chief Executive from 1 September 2018 and was appointed Chief executive on a permanent basis from 12 April 2019.

Mr Alan Gray was appointed Director of Finance for NHS Tayside on 1 June 2018 in addition to his role as Director of Finance for NHS Grampian.

The Board members' responsibilities in relation to the accounts are set out in a statement on page 31 below.

**ACCOUNTABILITY REPORT (cont)**  
**CORPORATE GOVERNANCE REPORT (cont)**  
**i) THE DIRECTORS' REPORT (cont)**

**8. Board Members' Interests**

The Register of Interests of Board Members is held at Summerfield House, 2 Eday Road, Aberdeen and may be inspected by members of the public on the NHS Grampian Website at this [link](#) or by contacting the Assistant Board Secretary on 01224 558600. The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement. For 2018/19 there were no interests, other than those discharged as a Trustee of NHS Grampian Endowment Funds or as a member of an IJB that required disclosure in the accounts under IAS 24.

**9. Disclosure of Information to Auditor**

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

**10. Remuneration for Non Audit Work**

Audit Scotland, the Board's external auditor, received no fees for non-audit work during 2018/19 (2017/18 £0).

PricewaterhouseCoopers LLP who provide an Internal Audit Service to NHS Grampian received no fees for non-audit work during 2018/19 (2017/18 £0).

**11. Public Services Reform (Scotland) Act 2010**

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

**12. Personal Data Related Incidents**

NHS Grampian formally reported personal data related incidents to the Information Commissioners Office (ICO) on six occasions during 2018/19 (2017/18 three). All of these incidents, and those relating to prior years, are now closed with no financial sanctions applied by the ICO.

**13. Financial Instruments**

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 19.



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

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

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

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

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

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

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of 30 August 2018.

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

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2019 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

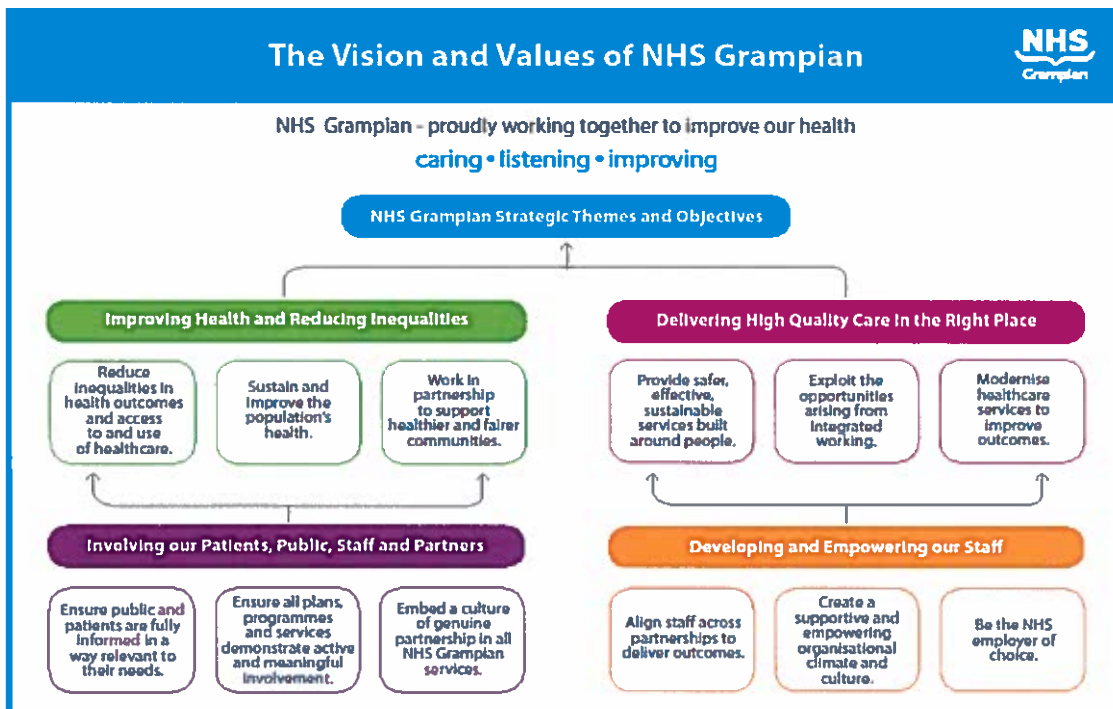
The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements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

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

iv) GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Grampian Clinical Strategy for 2016-2021 sets out our aspiration to improve population health and health equality. The clinical strategy is covered in more detail in the performance report section on page 6 above. The Board are committed to working with our partners and staff to improve the health of the people of Grampian and the clinical strategy has been developed in line with our strategic vision and values which are detailed below:



The Board works closely with a range of key stakeholders, including the general public, our staff, independent primary care practitioners, local authorities, third sector or charitable organisations and community planning partners to deliver our objectives. The Board's Engagement and Participation Committee (see page 35 below) has a key oversight role ensuring that all stakeholders are effectively informed about and involved in services and the strategic agenda in a variety of ways.

2. Assurance Framework

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

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

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

In addition, as explained in the Director's Report on page 27, all Board members are Trustees of the NHS Grampian Endowment Funds and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment ("Scotland") Act 2005.

The Directors report on page 27 also explains the establishment of the three Integration Joint Boards (IJBs), in Moray, Aberdeen City and Aberdeenshire. Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of adult health and social care services to each IJB. The delegation of services is governed by an integration scheme agreed by both partners and Executive Director and Non-Executive members of Grampian Health Board are appointed, to represent the Board, as voting members on each IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Grampian Health Board and the relevant Local Authority. The Board's performance management arrangements reflect those services delegated to the IJB's and the Chief Officers of each IJB attend each meeting of Grampian Health Board and each of the Board's key Governance Committees as required.

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

**Clinical Governance Committee**

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

**Membership:** Dr Lynda Lynch (Chair to 15 February 2019), Ms Joyce Duncan (from 1 January 2019 and Chair from 16 February 2019), Mrs Amy Anderson (from 1 January 2019) Dame Anne Begg (to 31 December 2018), Mrs Kim Cruttenden (from 1 October 2018), Professor Steven Heys (to 11 March 2019), Councillor Shona Morrison (from 1 January 2019), Dr Helen Moffat (to 30 September 2018), Mr Eric Sinclair (to 31 December 2018) and a public representative.

**Staff Governance Committee**

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

**Membership:** Mr Eric Sinclair (Chair to 31 December 2018), Mr Jonathan Passmore (Chair from 1 January 2019), Mrs Rhona Atkinson, Mrs Sharon Duncan (to 31 August 2018), Miss Rachael Little (from 1 September 2018), Professor Stephen Logan (to 31 December 2018), Dr Lynda Lynch (from 1 January 2019) and Mr Sandy Riddell (from 1 January 2019). There is Executive Director and Staff Side representation at each meeting.

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

**Remuneration Committee**

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

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

**Membership:** Mr Eric Sinclair (Chair to 31 December 2018), Mr Jonathan Passmore (Chair from 1 January 2019), Mrs Rhona Atkinson, Mrs Sharon Duncan (to 31 August 2018), Miss Rachael Little (from 1 September 2018), Professor Stephen Logan (to 31 December 2018), Dr Lynda Lynch (from 1 January 2019) and Mr Sandy Riddell (from 1 January 2019)

**Audit Committee**

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

- The review of internal and external audit arrangements;
- The regular review of findings and associated management action arising from internal and external audit activity;
- Approve changes to accounting policies, and review the Health Board Annual Report and Accounts prior to their adoption by the full Board;
- 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:** Mrs Rhona Atkinson (Chair), Councillor Isobel Davidson, Mrs Sharon Duncan (to 31 August 2018), Professor Steven Heys (to 11 March 2019), Miss Rachael Little (from 1 September 2018), Councillor Douglas Lumsden and Mr Sandy Riddell (from 1 January 2019).

**Performance Governance Committee**

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

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

**Membership:** Professor Stephen Logan (Chair to 31 December 2018), Mrs Rhona Atkinson (Chair from 1 January 2019), Councillor Frank Brown (to 11 September 2018), Mrs Sharon Duncan (to 31 August 2018), Mrs Luan Grugeon, Mrs Christine Lester (to 31 October 2018), Miss Rachael Little (from 1 September 2018) and Shona Morrison (from 5 November 2018).

**Engagement and Participation Committee**

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

**Membership:** Mrs Christine Lester (Chair to 31 October 2018), Mrs Amy Anderson (Chair from 1 November 2018), Professor Amanda Croft, Councillor Isobel Davidson, Professor Nick Fluck, Professor Stephen Logan (to 31 December 2018), Dr Helen Moffat (to 30 September 2018), Mr Jonathan Passmore, Mrs Susan Webb and Mr Malcolm Wright (to 31 August 2018). There is also extensive staff, clinical, management and public representation at meetings.

**Endowment Sub Committee**

The Endowment Sub Committee oversees the management of the NHS Grampian Endowment Funds, which had assets at 31 March 2019 valued at £40.4 million (31 March 2018 valued at £37.2 million).

**Membership:** Dame Anne Begg (Chair to 31 December 2018), Mrs Luan Grugeon (from 1 January 2019 and Chair from 7 February 2019), Councillor Frank Brown (to 11 September 2018), Mrs Sharon Duncan (to 31 August 2018), Mr Alan Gray, Professor Steven Heys (to 11 March 2019), Miss Rachael Little (from 1 September 2018), Councillor Douglas Lumsden (from 1 January 2019), Councillor Shona Morrison (from 5 November 2018 to 31 December 2018) and Mrs Laura Gray.

**3. Scope of Responsibility**

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

I confirm that Grampian Health Board is compliant with the aspects of the Scottish Public Finance Manual (SPFM)<sup>1</sup> which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. In terms of enabling me to discharge my responsibilities as Accountable Officer, the following governance arrangements and processes have been in place throughout the financial year:

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

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

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas.
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, engagement and participation, staff governance, clinical governance, audit committee and from the Chair of the Endowment Trustees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters.
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;

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

- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance including consultation with all stakeholders on service change proposals to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief executives of each of the partner organisations in the North East Partnership forum, regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the NHS Grampian Endowment Funds including a separate and distinct Chair of the Trustees, elected from within the body of the Trustees, an annual general meeting of all Trustees to agree all policy matters and an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

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

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process within the organisation accords with guidance from Scottish Ministers in the SPFM and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

##### **4.1 Risk Management Arrangements**

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

The Board have an agreed risk appetite statement focusing on the level of risk NHS Grampian is prepared to tolerate or accept in the pursuit of our strategic objectives. The Board have agreed that the appetite for risk will vary according to the activity undertaken.



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

Work has been ongoing throughout the year to further develop the Board's risk management arrangements including embedding the Board's appetite for risk into the strategic and local risk management processes, updating the strategic risk register following review by the System Leadership team and to reflect these revised arrangements in an updated risk management plan and policy. These actions were ongoing at 31 March 2019. The Board's risk management arrangements in place throughout the year are described as follows:-

- A risk management plan which set out the importance of risk management to the delivery of our objectives, the responsibilities of staff across NHS Grampian, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating action. A revised risk management plan incorporating recent changes in our approach will be finalised during 2019/20;
- Regular risk management reporting including evidence of the effectiveness of risk management arrangements and arrangements to ensure lessons learned are fed back appropriately into the process. This is an area of continuous improvement for the Board and in future will be enhanced through implementation of the PAIR arrangements mentioned in the paragraph below;
- An established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit. The Board have agreed to review the assurance framework during 2019/20 as part of the action plan agreed following the Blueprint for Good Governance self-assessment process mentioned in section 4.2.1 below;
- Regular reviews of the strategic risk register by the Performance Governance Committee, System Leadership Team (SLT) and the Board. As mentioned in the paragraphs below, the Strategic Risk Register has recently been updated and restructured following review by the SLT;
- Risk Registers at the Strategic, Corporate and Sector level which set out the steps being taken to manage risks linked to delivery of strategic objectives, performance targets and key strategic projects. Again this is an area of continuous improvement for the Board with an exercise ongoing at 31 March where all SLT members were tasked with a review of local risk registers to ensure consistency with the strategic risk register;
- Regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level;
- Risks associated with information that we are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements;
- An IT web enabled system to facilitate the electronic recording, assessment and mitigation reporting of risks in line with our risk management plan; and
- Commitment to the continuation of our programme of raising risk awareness amongst all staff on an ongoing basis

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

The Board's risk management arrangements were subject to ongoing review by the Board's System Leadership Team (SLT) throughout the year. The purpose of this review was to ensure that the processes were fit for purpose, consistent with good practice, and support the application of intelligent board principles to the work of SLT, the Board and its sub committees. Regular updates on progress, including the effectiveness of current arrangements, were provided to the Audit Committee and the Performance Governance Committee and this work drew to a conclusion in March 2019 when proposals for changing the way that performance, assurance, improvement and risk (PAIR) are managed were approved by the SLT and endorsed by the Board. Arrangements are now being taken forward to fully implement these new arrangements during 2019/20. The main features of the PAIR process include:

- a) The clear coordination of performance, assurance, improvement and risk activities with the SLT having an oversight of the process and all strategic issues which emerge from the process.
- b) The establishment of subgroups of SLT covering each of the strategic risk areas i.e.
  - Quality and safety – in relation to the health and care responsibilities of NHS Grampian
  - Compliance – with the standards, guidelines and regulations of bodies which regulate and monitor the delivery of care and processes applied by NHS Grampian
  - Infrastructure – associated with the buildings, equipment and facilities used by NHS Grampian
  - Workforce – all staff and others who support the delivery of services
  - Collaborative working – with partners in relation to the development of health and social care integration, community planning and the implementation of the clinical strategy
  - Innovation and transformation – to oversee the implementation of the clinical strategy
  - Involvement and engagement – with staff and the public
  - Brexit - to ensure that there is a focus of the specific issues related to Brexit until there is clarity on the way forward.

The Board's strategic risk register is summarised on page 7 above. The strategic risk register also highlights the mitigation measures and controls that are in place to manage these risks.

#### Clinical Risk Meetings

An example of how these new arrangements are starting to improve the overall effectiveness of our risk management arrangements is the introduction of a weekly Clinical Risk Meeting attended by the Medical Director and the Director of Nursing, Midwifery and Allied Health Professions.

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

The purpose of these meetings is to discuss data collated over the previous 7 days with a view to identifying new clinical risks from across the whole system. This includes risks identified from adverse events, feedback, falls, and clinical emergency calls etc. At each meeting agreed pre prepared reports are considered by group members and shared to inform the discussion. An action tracker is maintained and updated weekly to progress actions and the output from this process is reported to each weekly meeting of the System Leadership Team.

This approach ensures that the organisation's operational units have early identification of new or increasing clinical risks to enable system-wide discussion and appropriately managed performance against National standards for example timely responses to adverse events and feedback. This process of collated reports, discussion and ongoing management provides representatives from the System Leadership Team with an appropriately raised awareness of the current management of cross-system clinical risks. This in turn will reduce the likelihood of potential negative impact on the organisations reputation. For example links between falls and the physical condition of wards are easily understood and can be appropriately escalated and prioritised within both the clinical teams and the facilities and estates team.

#### **4.2 Internal Control Matters**

The organisation is committed to a process of continuous development and improvement, developing systems to address the key risks faced by the Board and in response to any relevant reviews and developments in best practice. The Audit Committee closely monitor progress against all high risk actions arising from internal audit reports. In the period covering the year to 31 March 2019 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on page 7 above :-

##### **4.2.1 Board Development and Governance**

- Continuation of revised arrangements for the Board's corporate register of interests including a standard declaration template and development of updated guidance for staff.
- All Board executive and non-executive directors have a formal annual appraisal, a key element of which is identification of the personal development requirements of each individual for the following 12 months. In addition, the Board has a bi-monthly seminar which is topic focused and designed to support joint working in key areas linked to the Board's overall strategy.
- Our programme of system leadership development ensures that staff across NHS Grampian are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- There were a range of changes in the senior leadership during 2018/19 to provide additional capacity and support to the acting/interim chief executive, and to enable resource to be released to progress regional responsibilities.

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

- The system leadership programme allowed us to ensure that the changes to the System Leadership Team required in the past year to support requests from Scottish Government Health and Social Care Directorate and other regional partner boards, were planned and provided acting up opportunities and the allocation of additional responsibilities. At all times the key posts and responsibilities of Executive Directors and the wider System Leadership Team Management were undertaken by senior and experienced staff.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, as required, consistent with the Board's commitment to continuous improvement and assessment of our performance.
- Following a self-assessment process focusing on how well Boards currently deliver the *five functions* of governance described in the Scottish Governments "Blueprint for Good Governance" model, a number of areas for improvement and associated actions were agreed by the Board at its April 2019 meeting including implementation of the revised arrangements for the management of Performance, Assurance, Improvement and Risk (PAIR), explained in more detail on pages 38 to 40 above, the review and updating of the Boards assurance framework and to develop guidance for officers tasked with preparing Board papers.

**4.2.2 Quality and Safety of Care**

- The Grampian Medicines Management Group formally agreed a policy for Homecare Medicines Management.
- Continuation of the action plan, under the guidance of a multi-disciplinary Health and Safety expert group, relating to patient falls, safe use of sharps, waste management and the preparation of food to address the recommendations from several improvement notices served on the Board following visits in prior years by the Health and Safety Executive and Environmental Health Services.
- An agreed programme of ligature reduction works in all acute mental health admission wards, under the oversight of a dedicated programme Board following an improvement notice served by the Health and Safety Executive in October 2017. Further inspections by the HSE have underlined the importance of completing this programme of work on schedule.

**4.2.3 BREXIT**

- Establishment of a BREXIT co-ordination group comprising the Director of Finance, Director of Facilities and Estates, Interim Director of Human Resources and Director of Pharmacy who provide oversight and co-ordination of the Board's arrangements to manage the risks associated with the current uncertainty over the nature and timing of withdrawal.
- Risk mitigation measures are in place at UK Government, Scottish Government and local NHS Grampian level with regard to availability and supply of medicines, procurement and availability of other essential supplies and the availability of workforce. The position at 31 March 2019 can be summarised as follows :-

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

➤ Workforce

- The Cabinet Secretary for Health and Sport wrote directly to all EU/EEA staff working in the health and social care sectors in Scotland on 20 December 2018 to reassure these citizens.
- A national survey was implemented within NHS Grampian with 273 completed responses, representing 24/30 EU countries. The overall number of EU nationals employed by NHS Grampian is not known.
- The current approach is focused on providing support to staff who are seeking advice regarding their status. The UK Government announced that EU Nationals will no longer be charged £65 to apply for 'settled status'.

➤ Medicines

- UK Government has requested the pharmaceutical industry to increase stock within the UK for those medicines with an EU touchpoint to provide an additional six weeks of stock over normal. Where this is not possible for a small number of medicines UK Government have instigated other mitigation e.g. approached other manufacturers to make up the shortfall.
- The Department of Health is working with the Department of Transport and with manufacturers to determine supply routes (e.g. air freight, prioritised customs traffic) and alternative routes for time sensitive medicinal products such as radiopharmaceuticals.
- UK Government has laid legislation to allow more flexibility / discretion should shortages arise to allow community pharmacists to amend prescriptions within strict national protocols.

➤ Procurement

- The UK Department of Health has secured warehouse facilities to hold stock of about 30% of the key supply lines used in the Scottish health service.
- A dedicated shipment channel has also been established in Belgium to act as a hub for the shipment of health supplies.
- The National Distribution Centre (hosted by NHS National Services Scotland) are progressing a phased purchase of a c75% of the remaining items not held at a UK level. The phased increase in stocks held within its National Distribution Centre will be between 4 and 8 weeks of stock based on historical demands.

#### **4.2.4 Infrastructure**

- Enhanced monitoring arrangements for our major capital projects to address recent market intelligence suggesting a significant and widespread increase in tendered prices for construction projects across all sectors.

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

- Regular updates to the Audit Committee, continued throughout the year, on progress against the key risks highlighted in the cyber security maturity assessment carried out in March 2017 and subsequent audit reports covering IT risk diagnostics and disaster recovery.

**4.2.5 Innovation and Transformation**

- The Electronic Patient Record Strategy Group have agreed a Programme/Project Assurance Framework including a formal project mandate, project initiation document, defined terms of reference for all key groups and roles and responsibilities, a documented scheme of delegation and a stakeholder identification process that will be used for all future phases of the project.
- The above recommendation related to our ongoing programme to roll out the Electronic patient Record and reduce dependency on paper medical records. In addition to improving access and security of the records, enabling the conversion of medical records from paper in to an electronic form significantly reduces the risk of damage to the records due to flood or fire and reduces the fire risk for those buildings where records are held. During 2016/17 all records previously stored at Spynie Hospital were converted into electronic form. In March 2018, we completed the transfer of all physical records previously held in the basement of Phase 2 at Aberdeen Royal Infirmary (ARI), into a new purpose built records storage and scanning facility located in the warehouse building at Foresterhill. Medical Records for all new patients using ARI, are now either held electronically from the outset or retrospectively scanned using our new facility. Work continues to scan all existing records for patients at ARI and Aberdeen Maternity Hospital in to electronic form.

**4.2.6 Workforce**

- The Acute Senior Leadership Team implemented revised arrangements for the control and management of the engagement process relating to agency medical and nursing staff. This includes an agreed protocol to determine when agency staffing is justified, standard documentation to be submitted when requesting agency cover and Senior Management and Clinician authorisation of all requests. The effectiveness of the engagement arrangements will be reviewed by the Board's Internal auditors during 2019/20.
- Following identification of a suspected locum fraud in January 2016, the Board implemented a number of improvements to our internal controls including the procurement of an electronic time scheduling and billing system for locum medical staff. We have commissioned NHS Counter Fraud services in 2019/20 to provide additional assurance on our revised arrangements, with particular focus on where the Board's processes for selection, rostering, authorisation and payment may remain susceptible to fraud.
- Recruitment of staff in clinical roles remains a key challenge, with continuing pressures around recruitment into Senior Medical roles and in critical skilled nursing and clinical support roles, for example, theatre nursing. Throughout the year the Board continued to apply, in partnership, robust vacancy management processes to ensure staff were deployed to the areas of greatest need.

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

The staffing report on page 52 provides more detail on the various recruitment initiatives underway.

- Work is also underway, under the oversight of the System leadership Team, to quantify the impact and develop enhanced workforce management arrangements to ensure compliance with the Scottish Government's safe staffing bill, which is expected to place future legal requirements on NHS Boards.

#### **4.2.7 Compliance**

- Ongoing action to address the requirements of the General Data Protection Regulations, which took effect on 25 May 2018, including an associated training and communications plan, a data inventory and assigned ownership of information assets.
- Plans to improve the security of prescription documentation through the implementation of a dedicated system wide distribution service were delayed due to recruitment difficulties. This service will now be implemented during 2019/20.

#### **4.2.8 Involvement and Engagement**

- Through liaison with the North east partnership steering Group (NEPSG), the Board are progressing agreement on a consistent vision and values aimed at ensuring a consistent message in all communication between clinical staff, service users and their carers.
- The Board's assurance framework will be updated during 2019/20 to recognise the role of staff side and the advisory structure in supporting the work of Board sub Committees and to clarify the role and importance of the engagement and participation committee as a core governance Committee of the Board.

#### **4.2.9 Collaborative Working**

- Work continues under the oversight of the Child Health Transformation Board to provide oversight of the co-ordination and sharing of intelligence relating to children's services and to lead the development of new methods of data collection and performance reporting in line with both national outcomes and those contained within the Board's Child Health 2020 Strategic Framework.
- Agreement to share, reciprocally, all relevant internal audit reports with the Audit Committees of the IJBs and partner organisations, and where appropriate, to co-ordinate internal audit activity across sectors. In line with this principle NHS Grampian's internal audit programme for 2018/19 dedicated audit time in support of Health and Social Care Integration activities with the scope agreed jointly by the three IJB Chief Officers.

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

## 5.0 Best Value

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

## 6.0 Review of Adequacy and Effectiveness

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

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit regular reports to the Audit Committee which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by the Board's external auditor and the external auditors of the NHS Grampian Endowment Funds;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports from Health Improvement Scotland and other inspection agencies;
- Transparent reporting and analysis of the Board's financial performance through the Performance Governance Committee and Budget Steering Group, including the extent to which the Board is reliant on non-recurring sources of funding to achieve our financial targets;
- A formal update to the Board and an annual briefing to the Audit committee on progress against the backlog maintenance implementation plan aimed at reducing high risk backlog maintenance in clinical areas and compliance with climate change legislation; and
- Board members also participated in a self-assessment process focusing on how well Boards currently deliver the *five functions* of governance described in the Scottish Governments "*Blueprint for Good Governance*" model (see section 4.2.1 above for further detail).

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



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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- An external review of the effectiveness of internal audit arrangements by the Chartered Institute of Internal Auditors (CIIA) found that NHS Grampian met, in full, 58 out of the 64 applicable standards with no immediate concerns or weaknesses.
- Assurance from the External Auditor of the NHS Grampian Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment Funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the governance statement and its disclosures by Internal Audit and the Audit Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

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

**Disclosures**

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

## **ACCOUNTABILITY REPORT (cont)**

### **b) REMUNERATION AND STAFF REPORT**

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

#### **i) THE REMUNERATION REPORT**

##### **Remuneration of Executive and Non-Executive Members**

The total remuneration disclosed on pages 49 to 51 includes all amounts paid or payable by the Board in each financial year and a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

##### **Board Members' Contracts of Employment**

The Executive Board members of Grampian Health Board are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS (ESM) 2013/1, PCS (ESM) 2012/1, PCS (ESM) 2013/2, PCS (ESM) 2013/3, PCS (ESM) 2015/1, PCS (ESM) 2015/2, PCS (ESM) 2016/1, PCS (ESM) 2017/1 and PCS (ESM) 2018/1.

##### **Assessment of Performance**

The performance assessment process for the Executive and Senior Management Cohort is in accordance with PCS (ESM) 2019/1. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of Grampian Health Board in the delivery of its objectives. Written evidence relating to the performance ratings for Executive members following review by the Chief Executive is made available to the Remuneration Committee for approval. For the Chief Executive, the process is undertaken by the Chair. For Non-Executive members, the process is also undertaken by the Chair 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.

##### **Remuneration Committee**

The Remuneration Committee is responsible for determining the employment, remuneration and terms and conditions of employment and for approving the personal objectives of all Executive Directors and Senior Managers in line with Scottish Government direction and guidance.

Further information including membership of the Remuneration Committee, is included in the Governance Statement on page 34 above.

**ACCOUNTABILITY REPORT (cont)**  
**b) REMUNERATION AND STAFF REPORT**  
**i) THE REMUNERATION REPORT (cont)**

**Relationship between the highest paid Director and the workforce median remuneration**

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

<b>2018-19</b>	<b>2018-19</b>	<b>2017-18</b>
Highest Earning Director's Total Remuneration (£000s)	190-195	185-190
Median Total Remuneration (£)	30,820	29,342
Ratio	6.20	6.46

All staff earning below £80,000 received a 3% cost of living uplift in pay during 2018/19 and staff earning above that amount received a flat increase of £1,600. This is the main reason for the increase in median pay.

The highest earning Director is the Medical Director.

The main reason for the reduction in the ratio between the highest paid Director and the median pay between years is the differential pay agreement with the majority of staff receiving a minimum of 3% during 2018/19.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2019

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2018/19.

	Notes (see below)	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2018/19 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2019 (bands of £5,000)	Real Increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2019 (bands of £5,000)	Real Increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/18	Cash Equivalent Transfer Value (CETV) at 31/3/19	Real increase in CETV in year
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Remuneration of:</b>														
<b>Executive Members</b>														
Professor Amanda Croft	a	115-120	0	0.0	115-120	159	275-300	45-50	7.5-10	135-140	22.5-25	769	947	160
Professor Nick Fluck		100-195	0	1.0	190-195	0	190-195	55-60	0	170-175	0	1,216	1,244	28
Mr Alan Gray	b	75-80	0	2.5	75-80	30	105-110	20-25	2.5-5	0	0	258	316	35
Mrs Susan Webb	c	100-105	0	0.0	100-105	38	140-145	40-45	2.5-5	100-105	0-2.5	758	812	38
Mr Malcolm Wright (to 31 August 2018)	d	35-40	0	0.0	35-40	26	60-65	65-90	2.5-5	285-270	10-12.5	2,069	2,165	85
<b>Non Executive Members</b>														
Chair - Professor Stephen Logan (to 31 December 2018)	l	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chair - Dr Lynda Lynch (Chair from 1 January 2019)	e/k	30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Christine Lester (to 31 October 2018)	k/m	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Rhona Atkinson (Vice Chair from 1 November 2018)	l/k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dame Anne Begg (to 31 December 2018)	k/n	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Frank Brown (to 11 September 2018)	o	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Kim Cruttenden (from 1 October 2018)	g	40-45	0	0	40-45	24	60-65	15-20	0-2.5	35-40	0-2.5	235	258	13
Councillor Isobel Davidson		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joyce Duncan (from 1 November 2018)	k/p	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Sharon Duncan (to 31 August 2018)	h/k	30-35	0	0	30-35	-11	20-25	35-40	0	105-110	0	813	825	9
Mrs Luan Grugeon	k	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Steven Heys (to 11 March 2019)	q	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miss Rachael Little (from 1 September 2018)	l/k	35-40	0	0	35-40	17	50-55	10-15	0-2.5	0	0	104	115	7
Councillor Douglas Lumsden		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Helen Moffat (to 30 September 2018)	j	30-35	0	0	30-35	16	45-50	15-20	0-2.5	30-35	0-2.5	241	262	12
Councillor Shona Morrison (from 12 September 2018)	r	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jonathan Passmore	k	25-30	0	0	25-30	N/A	25-30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Sandy Riddell (from 1 November 2018)	k/s	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Dennis Robertson (from 1 February 2019)	t	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair (to 31 December 2018)	k/u	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John Tomlinson (from 1 February 2019)	v	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES :

- a) Professor Amanda Croft was appointed Acting Chief Executive on 9th April 2018 (during this period Mr Wright remained accountable officer) and then Interim Chief Executive on 1st September 2018, when she assumed the accountable officer role for NHS Grampian. The remuneration disclosed includes an additional responsibility allowance for these extra duties. Professor Croft's substantive role was Director of Nursing, Midwifery and Allied Health Professions throughout this period.
- b) Mr Alan Gray was appointed Director of Finance for NHS Tayside on 1 June 2018 in addition to his role as Director of Finance for NHS Grampian. Prior to this date Mr Gray provided enhanced support to NHS Tayside as part of his role as Regional Finance Lead for the North of Scotland. The level of remuneration received by Mr Gray during the year reflects this additional responsibility. During the year he performed these roles as an employee of NHS Grampian. For the period 1st April 2018 to 31 March 2019 NHS Grampian recharged 45% of Mr Gray's salary to NHS Tayside. The remuneration disclosed above represents the 55% of cost met by NHS Grampian. The disclosed pension figures relate to service accrued in both his NHS Grampian and NHS Tayside roles and includes additional years purchased at his own personal cost.
- c) The disclosed pension benefit for Mrs Susan Webb, Director of Public Health includes additional years purchased at her own personal cost.
- d) Mr Malcolm Wright was appointed Chief Executive for NHS Tayside on 11th April 2018 in addition to his role as Chief Executive of NHS Grampian and Regional Implementation Lead for the North of Scotland. The level of remuneration received by Mr Wright reflects this additional responsibility. During the period 1 April 2018 to 31 August 2018 he remained an employee of NHS Grampian and 65% of his salary was recharged to NHS Tayside under a cost sharing arrangement. The remuneration disclosed above represents the 35% of cost met by NHS Grampian. The NHS Grampian share of his full year equivalent salary was in the range £85k - £90k. The pension figures disclosed above relate to service accrued in all of his NHS roles and is the value at 27/8/18 when he left the NHS pension scheme.
- e) Dr Lynda Lynch was appointed Chair of NHS Grampian on 1 January 2019. Prior to this Dr Lynch was a Non Executive Member of NHS Grampian.
- f) Mrs Rhona Atkinson was appointed Vice Chair of NHS Grampian on 1 November 2018, in addition to her role as a Non Executive Member of NHS Grampian.
- g) Ms Kim Cruttenden was appointed to the Board on 1 October 2018. The remuneration disclosure includes total earnings both in her role as a Pharmacist with NHS Grampian and for her additional duties as an NHS Board member. Her full year equivalent salary was in the range £80k - £85k.
- h) Mrs Sharon Duncan worked in a full time capacity as Employee Director of NHS Grampian. She resigned from the Board on 31 August 2018. Her full year equivalent salary was in the range £80k - £85k.
- i) Miss Rachael Little was appointed to the Board on 1 September 2018 and worked in a full time capacity as Employee Director of NHS Grampian. Her full year equivalent salary was in the range £80k - £85k.
- j) Dr Helen Moffat resigned from the Board on 30 September 2018. The remuneration disclosure includes total earnings both in her part time role as a Clinical Psychologist with NHS Grampian and for her additional duties as an NHS Board member. Her full year equivalent salary was in the range £65k - £70k.
- k) Non Executive Board Members who were members of the Integration Joint Boards and who assumed additional responsibilities during the year received additional remuneration.
- l) Professor Stephen Logan resigned from the Board on 31 December 2018. His full year equivalent salary was in the range £30k-£35k.
- m) Mrs Christine Lester resigned from the Board on 31 October 2018. Her full year equivalent salary was in the range £25k-£30k.
- n) Dame Anne Begg resigned from the Board on 31 December 2018. Her full year equivalent salary was in the range £15k-£20k.
- o) Councillor Frank Brown resigned from the Board on 11 September 2018. His full year equivalent salary was in the range £5k-£10k.
- p) Ms Joyce Duncan was appointed to the Board on 1 November 2018. Her full year equivalent salary was in the range £15k-£20k.
- q) Professor Steven Heys was an employee of the University of Aberdeen, School of Medicine and Dentistry. The remuneration disclosed above represents the fee paid to the University with regard to his duties as a non executive member. Professor Heys resigned from the Board on 11 March 2019. The full year equivalent fee payable was in the range £5k-£10k.
- r) Councillor Shona Montson was appointed to the Board on 12 September 2018. Her full year equivalent salary was in the range £5k-£10k.
- s) Mr Sandy Riddell was appointed to the Board on 1 November 2018. His full year equivalent salary was in the range £15k-£20k.
- t) Mr Dennis Robertson was appointed to the Board on 1 February 2019. His full year equivalent salary was in the range £5k-£10k.
- u) Mr Eric Sinclair resigned from the Board on 31 December 2018. His full year equivalent salary was in the range £15k-£20k.
- v) Mr John Tomlinson was appointed to the Board on 1 February 2019. His full year equivalent salary was in the range £5k-£10k.

## REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018

Publication of pension benefits is required in accordance with the Financial Reporting Manual (FRM) and the Companies Act (2006). This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement. The other figures shown as part of the single total figure of remuneration relate to actual earnings payable in 2017/18.

Note	Salary (bands of £5,000)	Performance Related Bonus (bands of £5,000)	Benefits in Kind	Sub Total earnings paid in 2017/18 (bands of £5,000)	Value of Pension Benefits (to be paid over 20 years following retirement)	Total Remuneration (bands of £5,000)	Total accrued pension at pensionable age at 31 March 2018 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age at 31 March 2018 (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/3/17	Cash Equivalent Transfer Value (CETV) at 31/3/18	Real increase in CETV in year	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Remuneration of:</b>														
<b>Executive Members</b>														
Mr Malcolm Wright	a	180-185	0	0.0	180-185	0	180-185	80-85	0-2.5	250-255	0-2.5	1,962	1,980	-5
Professor Nick Fluck		185-190	0	0.5	185-190	0	185-190	55-60	0	165-170	0	1,103	1,133	29
Mr Alan Gray	b	125-130	0	4.4	130-135	21	150-155	20-25	0-2.5	0	212	248	11	
Professor Amanda Croft	g	100-105	0	0.0	100-105	19	120-125	35-40	0-2.5	105-110	2.5-5	669	713	32
Mrs Susan Webb (from 1 September 2017)	c	55-60	0	0.0	55-60	28	85-90	35-40	0-2.5	100-105	0-2.5	662	709	32
<b>Non Executive Members</b>														
Chair - Prof Stephen Logan		30-35	0	0	30-35	N/A	30-35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vice Chair - Mrs Christine Lester	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Amy Anderson	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Rhona Atkinson	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dame Anne Begg	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Frank Brown (from 1 June 2017)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Linda Clark (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Stewart Cree (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Barney Crockett (to 30 April 2017)		0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Isobel Davidson (from 1 June 2017)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Sharon Duncan	d/f	75-80	0	0	75-80	17	95-100	30-35	0-2.5	100-105	2.5-5	725	769	37
Professor Mike Greaves (to 30 September 2017)	f	5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs Luan Grugeon (from 1 June 2017)	f	10-15	0	0	10-15	N/A	10-15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Steven Heys (from 1 October 2018)	f	0-5	0	0	0-5	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Councillor Douglas Lumsden (from 1 June 2017)		5-10	0	0	5-10	N/A	5-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Lynda Lynch	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr Helen Moffat	e	60-65	0	0	60-65	10	70-75	10-15	0-2.5	30-35	0-2.5	211	226	8
Mr Jonathan Passmore	f	20-25	0	0	20-25	N/A	20-25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Eric Sinclair	f	15-20	0	0	15-20	N/A	15-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A

a) The remuneration disclosure for Mr Malcolm Wright reflects an additional responsibility allowance for additional strategic duties.

b) The remuneration disclosure for Mr Alan Gray reflects an additional responsibility allowance for extra duties as Deputy Chief Executive until August 2017 and Strategic Finance Lead for the North of Scotland Region from August 2017. The disclosed pension benefit includes additional years purchased at his own personal cost.

c) Mrs Susan Webb was appointed Executive Director of Public Health on 1 September 2017. The earnings figure disclosed above relates to the period September 2017 to March 2018. The full year equivalent salary is in the range £95k - £100k. The disclosed pension benefit includes additional years purchased at her own personal cost.

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

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

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

g) The remuneration disclosure for Professor Amanda Croft reflects an additional responsibility allowance for extra duties as Deputy Chief Executive from August 2017.

**ACCOUNTABILITY REPORT (cont)**  
**b) REMUNERATION AND STAFF REPORT**  
**ii) STAFF REPORT**

**1. Staff Governance**

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

**2. The Workforce**

The average number of nurses and midwives employed within the Board dropped by 89 wte during the year. Recruitment of skilled nursing staff for example Mental Health, Midwifery and Theatre nursing remains a key challenge. In addition there are continuing pressures around recruitment in to Medical roles and in other critical clinical and clinical support professions. Use of agency medical and nursing staffing has increased compared to the previous year and remains high in order to cover critical roles to meet our demand and capacity challenges and ensure a safe and effective service. Throughout the year the Board continued to apply, in partnership, a robust vacancy management and redeployment processes to ensure staff were deployed to the areas of greatest need.

Longer term the Board is continuing with initiatives to transform our services including a comprehensive surgical transformation programme and improvements to the cancer pathway. We continue to prioritise learning and development activities aimed at not only core competencies but also to target key skill gaps as we redesign our clinical service delivery and to support leadership development in our workforce.

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

ACCOUNTABILITY REPORT (cont)  
b) REMUNERATION AND STAFF REPORT  
ii) STAFF REPORT

The following table summarises total staff costs and numbers for 2018/19 and the prior year:

STAFF COSTS	Executive Board Members £000's	Non Executive Board Members £000's	Permanent Staff £000's	Inward Secondees £000's	Other Staff £000's	Outward Secondees £000's	2018/19 Total £000's	2017/18 Total £000's
Salaries and wages	634	370	490,802	0	11,695	(31,659)	471,842	467,802
Taxation & Social Security costs	82	31	51,844	0	0	0	51,957	48,741
NHS scheme employers' costs	64	18	63,001	0	0	0	63,083	60,406
Inward secondees	0	0	0	2,784	0	0	2,784	431
Agency staff	0	0	0	0	26,033	0	26,033	21,498
<b>TOTAL</b>	<b>780</b>	<b>419</b>	<b>605,647</b>	<b>2,784</b>	<b>37,728</b>	<b>(31,659)</b>	<b>615,699</b>	<b>598,878</b>

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 137 217

STAFF NUMBERS

						Average W.T.E	Average W.T.E
Whole time equivalent (WTE)	4	0	12,948	0	0	12,952	12,684

Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: 2 4

Included in the total staff numbers above were staff with a disability: 50 62

Note:

a) Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are given in note 18 to the accounts.

b) Reconciliation of total staff costs to Note 3 Operating Expenditure:

Total employee expenditure disclosed in Note 3 operating Expenditure	647,221	598,878
Deduct outward secondees	(31,659)	
Add salaries charged to capital expenditure	137	
<b>Total staff costs disclosed above</b>	<b>615,699</b>	<b>598,878</b>

### 3. Staff Composition

	2018/19			2017/18		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	2	5	3	2	5
Non-Executive Members and Employee Director	9	13	22	9	10	19
Senior Employees	14	14	28	12	14	26
Other	2810	12,583	15,393	2,537	11,926	14,463
<b>Total Headcount</b>	<b>2836</b>	<b>12,612</b>	<b>15,448</b>	<b>2,561</b>	<b>11,952</b>	<b>14,513</b>



**ACCOUNTABILITY REPORT (cont)**  
**b) REMUNERATION AND STAFF REPORT**  
**ii ) STAFF REPORT**

**4. HIGHER PAID EMPLOYEES REMUNERATION**

Employees whose remuneration fell within the following ranges:	2018/19 No.	2017/18 No.
<b>Clinicians</b>		
£ 70,001 to £80,000	104	99
£ 80,001 to £90,000	72	65
£ 90,001 to £100,000	56	52
£100,001 to £110,000	56	72
£110,001 to £120,000	61	67
£120,001 to £130,000	64	59
£130,001 to £140,000	57	60
£140,001 to £150,000	38	34
£150,001 to £160,000	36	30
£160,001 to £170,000	32	31
£170,001 to £180,000	29	15
£180,001 to £190,000	8	7
£190,001 to £200,000	7	2
£200,001 and above	17	12

**Other**

£ 70,001 to £ 80,000	43	36
£ 80,001 to £ 90,000	13	15
£ 90,001 to £100,000	10	4
£100,001 to £110,000	3	3
£110,001 to £120,000	2	3
£120,001 to £130,000	0	2
£130,001 to £140,000	3	0
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	1
£190,001 to £200,000	0	0
£200,001 and above	0	0

**Note :**

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

**5. Sickness absence**

The attendance management process (iAMS), a partnership approach to return to work, continues to be embedded across the organisation and continues to deliver a short term absence rate which has been consistently below the national average. This has contributed to the achievement of the overall annual sickness absence rate of 4.53% (5.13% in 2017/18).

## ACCOUNTABILITY REPORT (cont)

### b) REMUNERATION AND STAFF REPORT (cont)

#### ii ) STAFF REPORT (cont)

#### 6. Staff policies applied during the financial year relating to the employment of Disabled Persons

As an equal opportunities employer, NHS Grampian welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. During 2018/19 NHS Grampian employed an average 49.6wte (headcount 60) staff with a disability compared to 62.3wte (headcount 77) in 2017/18.

The NHS Grampian Equality, Diversity and Human Rights Policy can be accessed at the following [link](#). This covers, in detail, the employment of disabled persons including recruitment and selection, treatment during employment and monitoring arrangements. The policy also lists the other NHS Grampian Policies which are in place to ensure that applicants for posts with a disability and staff in post with a disability are treated fairly and that everything reasonably possible is done to meet their needs. This includes providing appropriate support and making reasonable adjustments, training, career development and promotion of disabled persons.

#### 7. Other employee matters such as diversity and equal treatment

NHS Grampian fully complies with the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012. More information, including the key reports listed below, can be accessed at this [link](#).

- NHS Grampian Equality Outcomes Report 2017-2021, published in April 2017;
- NHS Grampian “Mainstreaming” Report for 2017-2021, published in April 2017;
- NHS Grampian Equal Pay Monitoring Report, published in April 2017; and
- NHS Grampian Equality and Diversity Workforce Monitoring Report 2016/17

NHS Grampian also has a range of other policies developed in partnership with trade unions and staff side representatives to cover all employee matters including health and safety, employee consultation, trade union relationships, employability and pay policy.

#### 8. Expenditure on consultancy

Expenditure on external consultancy during 2018/19 was £85,685 (2017/18 £79,133)

NHS Grampian has used a total of 4 consultancy organisations during 2018/19 (5 in 2017/18). These suppliers provided consultancy services in a number of areas including, capital projects, construction and building infrastructure development, IT system implementation, property matters and infection control issues. Consultancy services are used for the provision of specialist expertise which is not available from NHS Grampian’s own staff and therefore represent a value for money alternative to the direct employment of specialist staff.

**ACCOUNTABILITY REPORT (cont)**  
**b) REMUNERATION AND STAFF REPORT**  
**ii ) STAFF REPORT (cont)**

**9. Off payroll engagements**

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

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

**10. Exit packages**

The following table summarises exit packages agreed in the year. There were no compulsory redundancies in 2018/19 or 2017/18.

	<b>2018/19</b>	<b>2017/18</b>
<b>Exit Package cost band</b>	<b>Total number of exit packages by cost band</b>	<b>Total number of exit packages by cost band</b>
£25,000 - £50,000	1	1
<b>Total Resource Cost (£'000)</b>	<b>25</b>	<b>43</b>

**11. Trade Union (Facility Time Publication Requirements) Regulations 2017**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time. The information relating to NHS Grampian is as follows :-

110 (98.14 WTE) employees were relevant union officials during 2018/19

Percentage of time spent on facility time	Number of Employees
0%	43
1-50%	59
51-99%	2
100%	6
 Total Cost of Facility Time during 2018/19	 £0.471m
 Total cost of Paybill 2018/19	 £589.497 million
 Percentage of total pay bill spent on facility time	 0.08%
 Percentage of total facility time spent in trade Union Activities	 5.95%

This information is also published on the NHS Grampian website at the following [link](#).

**ACCOUNTABILITY REPORT (cont)**  
**c) PARLIAMENTARY ACCOUNTABILITY REPORT**

**1. Losses and Special Payments**

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

The following special payments and losses have been approved by the Board and are included in the financial statements for 2018/19:

	<b>No. of cases 2018/19</b>	<b>£000 2018/19</b>	<b>No. of cases 2017/18</b>	<b>£000 2017/18</b>
Fraud and suspected Fraud	23	1	34	14
Clinical Negligence and Employer Liability claims	47	2,786	42	3,752
Other losses and ex gratia payments	73	11	96	116
<b>Total Special payments and losses</b>	<b>143</b>	<b>2,798</b>	<b>172</b>	<b>3,882</b>

In 2018/19, the Board was required to pay out 2 claims, £0.73 million and £0.36 million, in respect of clinical negligence cases (2017/18: 4 claims £0.45 million, £0.75 million, £0.54 million and £0.275m). No other individual losses or claims with a value exceeding £0.25 million were settled during the year.

The Board is also required to provide for all clinical negligence and employer liability claims notified to it and which will be settled at a future date. Details of these provisions and an explanation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) can be found in note 13.

**2. Fees and Charges**

The Board had no commercial trading activity during 2018/19 where the full annual cost exceeded £1 million (2017/18 nil).

**3. Contingent Liabilities**

Contingent liabilities are disclosed in note 14 and contractual obligations are disclosed in note 15.

.....  


**Professor Amanda Croft  
Chief Executive  
Grampian Health Board**

**25 June 2019**

## GRAMPIAN HEALTH BOARD

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

#### Report on the audit of the financial statements

##### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Grampian Health Board and its group for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

##### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is three years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## GRAMPIAN HEALTH BOARD

### Independent auditor's report (cont)

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

#### Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

#### Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

## GRAMPIAN HEALTH BOARD

### Independent auditor's report (cont)

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### Other information in the annual report and accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Report on regularity of expenditure and income

#### Opinion on regularity

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

#### Responsibilities for regularity

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

### Report on other requirements

#### Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

## GRAMPIAN HEALTH BOARD

### Independent auditor's report (cont)

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

### Matters on which I am required to report by exception

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

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


I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### Use of my report

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



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

25 June 2019



# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019

		NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Aberdeen City 2018/19 £'000	Aberdeenshire 2018/19 £'000	Moray 2018/19 £'000	Group 2018/19 £'000	Group 2017/18 £'000
Staff Costs	3a	647,221	0	0	0	0	0	647,221	598,878
Other Operating Expenditure	3b								
Independent Primary Care Services		147,767	0	0	0	0	0	147,767	142,525
Drugs and Medical Supplies		222,164	0	0	0	0	0	222,164	223,188
Other Health Care expenditure		773,993	2,604	(3,018)	0	0	0	773,579	781,454
<b>Gross expenditure for the year</b>		<b>1,791,145</b>	<b>2,604</b>	<b>(3,018)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,790,731</b>	<b>1,746,045</b>
Less : Operating Income	4	(670,397)	(3,017)	3,018	0	0	0	(670,396)	(655,779)
Joint Ventures accounted for on an equity basis		0	0	0	1,365	(703)	260	922	2,024
<b>Net expenditure for the year</b>		<b>1,120,748</b>	<b>(413)</b>	<b>0</b>	<b>1,365</b>	<b>(703)</b>	<b>260</b>	<b>1,121,257</b>	<b>1,092,290</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)</b>									
Net Loss/(gain) on revaluation of Property Plant and Equipment		(4,714)	0	0	0	0	0	(4,714)	(30,788)
Net Loss/(gain) on revaluation of financial assets		0	(2,734)	0	0	0	0	(2,734)	720
<b>Total Comprehensive Net Expenditure/(Income)</b>		<b>1,116,034</b>	<b>(3,147)</b>	<b>0</b>	<b>1,365</b>	<b>(703)</b>	<b>260</b>	<b>1,113,809</b>	<b>1,062,222</b>

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

		NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Aberdeen City 2017/18 £'000	Aberdeenshire 2017/18 £'000	Moray 2017/18 £'000	Group 2017/18 £'000
Staff Costs	3a	598,878	0	0	0	0	0	598,878
Other Operating Expenditure	3b							
Independent Primary Care Services		142,525	0	0	0	0	0	142,525
Drugs and Medical Supplies		223,188	0	0	0	0	0	223,188
Other Health Care expenditure		775,483	10,067	(4,096)	0	0	0	781,454
<b>Gross expenditure for the year</b>		<b>1,740,074</b>	<b>10,067</b>	<b>(4,096)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,746,045</b>
Less : Operating Income	4	(654,877)	(4,998)	4,096	0	0	0	(655,779)
Joint Ventures accounted for on an equity basis		0	0	0	1,055	5	964	2,024
<b>Net expenditure for the year</b>		<b>1,085,197</b>	<b>5,069</b>	<b>0</b>	<b>1,055</b>	<b>5</b>	<b>964</b>	<b>1,092,290</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE (MEMORANDUM)</b>								
Net Loss/(gain) on revaluation of Property Plant and Equipment		(30,788)	0	0	0	0	0	(30,788)
Net Loss/(gain) on revaluation of financial assets		0	720	0	0	0	0	720
<b>Total Comprehensive Net Expenditure/(Income)</b>		<b>1,054,409</b>	<b>5,789</b>	<b>0</b>	<b>1,055</b>	<b>5</b>	<b>964</b>	<b>1,062,222</b>

# GRAMPIAN HEALTH BOARD

## SUMMARY OF RESOURCE OUTTURN FOR THE YEAR ENDED 31 MARCH 2019

### SUMMARY OF CORE REVENUE RESOURCE OUTTURN

2018/19  
£'000

2018/19  
£'000

<b>Net expenditure</b>		<b>1,121,257</b>
Total Non Core Expenditure (see below)		(33,606)
FHS Non Discretionary Allocation		(53,279)
Donated Assets Income		1,222
Endowment Net Operating Costs		413
Joint Ventures accounted for on an equity basis		(922)
<b>Total Core Expenditure</b>		<b>1,035,085</b>
Core Revenue Resource Limit		1,035,183
<b>Saving/(excess) against Core Revenue Resource Limit</b>		<b>98</b>

### SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation	23,927	
Annually Managed Expenditure - Impairments	3,215	
Annually Managed Expenditure - Creation of Provisions	1,537	
Annually Managed Expenditure - Depreciation of Donated Assets	1,327	
Additional SGHSCD non-core funding	3,600	
<b>Total Non Core Expenditure</b>		<b>33,606</b>
Non Core Revenue Resource Limit		33,606
<b>Saving/(excess) against Non Core Revenue Resource Limit</b>		<b>0</b>

### SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(excess) £'000
Core	1,035,183	1,035,085	98
Non Core	33,606	33,606	0
<b>Total</b>	<b>1,068,789</b>	<b>1,068,691</b>	<b>98</b>

# GRAMPIAN HEALTH BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Aberdeen City 2018/19 £'000	Aberdeenshire 2018/19 £'000	Moray 2018/19 £'000	Group 2018/19 £'000	Group 2017/18 £'000
<b>Non-current assets:</b>									
Property, plant and equipment	7c	547,068	0	0	0	0	0	547,068	545,374
Intangible assets	6	840	0	0	0	0	0	840	1,234
<b>Financial assets:</b>									
Financial assets	10	443	44,247	0	0	0	0	44,690	41,977
Investments in joint ventures		0	0	0	2,789	703	128	3,620	4,542
Trade and other receivables	9	80,213	0	0	0	0	0	80,213	87,824
<b>Total non-current assets</b>		<b>628,564</b>	<b>44,247</b>	<b>0</b>	<b>2,789</b>	<b>703</b>	<b>128</b>	<b>676,431</b>	<b>680,951</b>
<b>Current Assets:</b>									
Inventories	8	5,574	0	0	0	0	0	5,574	5,353
<b>Financial assets:</b>									
Trade and other receivables	9	42,914	27	(847)	0	0	0	42,094	35,519
Cash and cash equivalents	11	2,116	2,350	0	0	0	0	4,466	5,675
Assets classified as held for sale	7b	1,942	0	0	0	0	0	1,942	0
<b>Total current assets</b>		<b>52,546</b>	<b>2,377</b>	<b>(847)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,076</b>	<b>46,547</b>
<b>Total assets</b>		<b>681,110</b>	<b>46,624</b>	<b>(847)</b>	<b>2,789</b>	<b>703</b>	<b>128</b>	<b>730,507</b>	<b>727,498</b>
<b>Current liabilities</b>									
Provisions	13	(27,903)	(4,941)	0	0	0	0	(32,844)	(20,167)
<b>Financial liabilities:</b>									
Trade and other payables	12	(100,796)	(1,027)	847	0	0	0	(100,976)	(121,881)
<b>Total current liabilities</b>		<b>(128,699)</b>	<b>(5,968)</b>	<b>847</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(133,820)</b>	<b>(142,048)</b>
<b>Non-current assets (less) net current liabilities</b>		<b>552,411</b>	<b>40,656</b>	<b>0</b>	<b>2,789</b>	<b>703</b>	<b>128</b>	<b>596,687</b>	<b>585,450</b>
<b>Non-current liabilities</b>									
Provisions	13	(122,831)	(282)	0	0	0	0	(123,113)	(131,604)
<b>Financial liabilities:</b>									
Trade and other payables	12	(42,718)	0	0	0	0	0	(42,718)	(28,412)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0	0
<b>Total non-current liabilities</b>		<b>(165,549)</b>	<b>(282)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(165,831)</b>	<b>(160,016)</b>
<b>Assets less liabilities</b>		<b>386,862</b>	<b>40,374</b>	<b>0</b>	<b>2,789</b>	<b>703</b>	<b>128</b>	<b>430,856</b>	<b>425,434</b>
<b>Taxpayers' Equity</b>									
General fund		284,903	0	0	0	0	0	284,903	282,570
Revaluation reserve		101,959	0	0	0	0	0	101,959	101,095
Other reserves		0	40,374	0	0	0	0	40,374	37,227
Other reserves- Joint Venture		0	0	0	2,789	703	128	3,620	4,542
<b>Total taxpayers' equity</b>		<b>386,862</b>	<b>40,374</b>	<b>0</b>	<b>2,789</b>	<b>703</b>	<b>128</b>	<b>430,856</b>	<b>425,434</b>

The Annual Accounts were approved by the Board of Directors and authorised for issue on 25 June 2019



Professor Amanda Croft  
Chief Executive



Mr Alan Gray  
Director of Finance

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Aberdeen City 2017/18 £'000	Aberdeenshire 2017/18 £'000	Moray 2017/18 £'000	Group 2017/18 £'000
<b>Non-current assets:</b>								
Property, plant and equipment	7c	545,374	0	0	0	0	0	545,374
Intangible assets	6	1,234	0	0	0	0	0	1,234
<b>Financial assets:</b>								
Financial assets	10	449	41,528	0	0	0	0	41,977
Investments in associates and joint ventures		0	0	0	4,154	0	388	4,542
Trade and other receivables	9	87,824	0	0	0	0	0	87,824
<b>Total non-current assets</b>		<b>634,881</b>	<b>41,528</b>	<b>0</b>	<b>4,154</b>	<b>0</b>	<b>388</b>	<b>680,951</b>
<b>Current Assets:</b>								
Inventories	8	5,353	0	0	0	0	0	5,353
<b>Financial assets:</b>								
Trade and other receivables	9	38,044	49	(2,574)	0	0	0	35,519
Cash and cash equivalents	11	668	5,007	0	0	0	0	5,675
Assets classified as held for sale	7b	0	0	0	0	0	0	0
<b>Total current assets</b>		<b>44,065</b>	<b>5,056</b>	<b>(2,574)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,547</b>
<b>Total assets</b>		<b>678,946</b>	<b>46,584</b>	<b>(2,574)</b>	<b>4,154</b>	<b>0</b>	<b>388</b>	<b>727,498</b>
<b>Current liabilities</b>								
Provisions	13	(14,113)	(6,054)	0	0	0	0	(20,167)
<b>Financial liabilities:</b>								
Trade and other payables	12	(121,770)	(2,685)	2,574	0	0	0	(121,881)
<b>Total current liabilities</b>		<b>(135,883)</b>	<b>(8,739)</b>	<b>2,574</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(142,048)</b>
<b>Non-current assets (less) net current liabilities</b>		<b>543,063</b>	<b>37,845</b>	<b>0</b>	<b>4,154</b>	<b>0</b>	<b>388</b>	<b>585,450</b>
<b>Non-current liabilities</b>								
Provisions	13	(130,986)	(618)	0	0	0	0	(131,604)
<b>Financial liabilities:</b>								
Trade and other payables	12	(28,412)	0	0	0	0	0	(28,412)
Liabilities in associates and joint ventures		0	0	0	0	0	0	0
<b>Total non-current liabilities</b>		<b>(159,398)</b>	<b>(618)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(160,016)</b>
<b>Assets less liabilities</b>		<b>383,665</b>	<b>37,227</b>	<b>0</b>	<b>4,154</b>	<b>0</b>	<b>388</b>	<b>425,434</b>
<b>Taxpayers' Equity</b>								
General fund		282,570	0	0	0	0	0	282,570
Revaluation reserve		101,095	0	0	0	0	0	101,095
Other reserves		0	37,227	0	0	0	0	37,227
Other reserves- Joint Venture		0	0	0	4,154	0	388	4,542
<b>Total taxpayers' equity</b>		<b>383,665</b>	<b>37,227</b>	<b>0</b>	<b>4,154</b>	<b>0</b>	<b>388</b>	<b>425,434</b>

# GRAMPIAN HEALTH BOARD

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Aberdeen City 2018/19 £'000	Aberdeenshire 2018/19 £'000	Moray 2018/19 £'000	Group 2018/19 £'000	Group 2017/18 £'000
<b>Cash flows from operating activities</b>									
Net operating cost		(1,120,748)	413	0	(1,365)	703	(260)	(1,121,257)	(1,092,290)
Adjustments for non-cash transactions	2a	27,280	0	0	1,365	(703)	260	28,202	24,318
Add back: interest payable recognised in net operating cost	2b	2,675	0	0	0	0	0	2,675	1,785
Investment Income		0	(1,508)	0	0	0	0	(1,508)	(1,678)
(Increase)/decrease in trade and other receivables	2c	1,322	22	(1,727)	0	0	0	(383)	(29,745)
(Increase)/decrease in inventories	2c	(221)	0	0	0	0	0	(221)	173
Increase/(decrease) in trade and other payables	2c	(5,794)	(1,658)	1,727	0	0	0	(5,725)	7,202
Increase/(decrease) in provisions	2c	5,635	(1,449)	0	0	0	0	4,186	29,521
<b>Net cash outflow from operating activities</b>		<b>(1,089,851)</b>	<b>(4,180)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,094,031)</b>	<b>(1,060,714)</b>
<b>Cash flows from investing activities</b>									
Purchase of property, plant and equipment		(43,010)	0	0	0	0	0	(43,010)	(20,466)
Purchase of intangible assets		(81)	0	0	0	0	0	(81)	(389)
Investment Additions	10	0	(8,793)	0	0	0	0	(8,793)	(3,528)
Proceeds of disposal of property, plant and equipment		1,797	0	0	0	0	0	1,797	7,683
Receipts from sale of investments		0	8,808	0	0	0	0	8,808	5,528
Interest and dividends received		0	1,508	0	0	0	0	1,508	1,678
<b>Net cash outflow from investing activities</b>		<b>(41,294)</b>	<b>1,523</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(39,771)</b>	<b>(9,494)</b>
<b>Cash flows from financing activities</b>									
Funding		1,119,231	0	0	0	0	0	1,119,231	1,072,269
Movement in general fund working capital		1,448	0	0	0	0	0	1,448	80
Cash drawn down		1,120,679	0	0	0	0	0	1,120,679	1,072,349
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	14,589	0	0	0	0	0	14,589	707
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,675)	0	0	0	0	0	(2,675)	(1,785)
<b>Net Financing</b>		<b>1,132,593</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,132,593</b>	<b>1,071,271</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>1,448</b>	<b>(2,657)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,209)</b>	<b>1,063</b>
Cash and cash equivalents at the beginning of the year		668	5,007	0	0	0	0	5,675	4,612
<b>Cash and cash equivalents at the end of the year</b>	11	<b>2,116</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,466</b>	<b>5,675</b>

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

		NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Aberdeen City 2017/18 £'000	Aberdeenshire 2017/18 £'000	Moray 2017/18 £'000	Group 2017/18 £'000
<b>Cash flows from operating activities</b>								
Net operating cost		(1,085,197)	(5,069)	0	(1,055)	(5)	(964)	(1,092,290)
Adjustments for non-cash transactions	2a	22,294	0	0	1,055	5	964	24,318
Add back: interest payable recognised in net operating cost	2b	1,785	0	0	0	0	0	1,785
Investment Income		0	(1,678)	0	0	0	0	(1,678)
(Increase)/decrease in trade and other receivables	2c	(31,946)	8	2,193	0	0	0	(29,745)
(Increase)/decrease in inventories	2c	173	0	0	0	0	0	173
Increase/(decrease) in trade and other payables	2c	7,155	2,260	(2,213)	0	0	0	7,202
Increase/(decrease) in provisions	2c	27,717	1,804	0	0	0	0	29,521
<b>Net cash outflow from operating activities</b>		<b>(1,058,019)</b>	<b>(2,675)</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,060,714)</b>
<b>Cash flows from investing activities</b>								
Purchase of property, plant and equipment		(20,466)	0	0	0	0	0	(20,466)
Purchase of intangible assets		(389)	0	0	0	0	0	(389)
Investment Additions	10	0	(3,528)	0	0	0	0	(3,528)
Proceeds of disposal of property, plant and equipment		7,683	0	0	0	0	0	7,683
Receipts from sale of investments		0	5,528	0	0	0	0	5,528
Interest and dividends received		0	1,678	0	0	0	0	1,678
<b>Net cash outflow from investing activities</b>		<b>(13,172)</b>	<b>3,678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,494)</b>
<b>Cash flows from financing activities</b>								
Funding		1,072,269	0	0	0	0	0	1,072,269
Movement in general fund working capital		80	0	0	0	0	0	80
Cash drawn down		1,072,349	0	0	0	0	0	1,072,349
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	707	0	0	0	0	0	707
Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(1,785)	0	0	0	0	0	(1,785)
<b>Net Financing</b>		<b>1,071,271</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,071,271</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>80</b>	<b>1,003</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,063</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>588</b>	<b>4,004</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,612</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>668</b>	<b>5,007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,675</b>

# GRAMPIAN HEALTH BOARD

## CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2019

Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000	
	General Fund £'000	Revaluation Reserve £'000	Total Board Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000		
Balance at 31 March 2018	262,570	101,095	363,665	28,522	8,805	37,227	4,154	0	388	425,434	
Changes in taxpayers' equity for 2018-19											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	4,714	4,714	0	0	0	0	0	4,714	
Net loss on revaluation of financial assets	10	0	0	0	1,467	1,267	2,734	0	0	2,734	
Impairment of property, plant and equipment	7a	0	(3,215)	(3,215)	0	0	0	0	0	(3,215)	
Revaluation & impairments taken to operating costs	2a	0	3,215	3,215	0	0	0	0	0	3,215	
Transfers between reserves		3,850	(3,850)	0	0	0	0	0	0	0	
Net operating cost for the year		(1,120,748)	0	(1,120,748)	413	0	413	(1,365)	703	(260)	(1,121,257)
Total recognised Income and expense for 2018-19		(1,116,898)	864	(1,116,034)	1,880	1,267	3,147	(1,365)	703	(260)	(1,113,809)
Funding:											
Drawn down		1,120,679	0	1,120,679	0	0	0	0	0	0	1,120,679
Movement in General Fund Creditor		(1,448)	0	(1,448)	0	0	0	0	0	0	(1,448)
Balance at 31 March 2019		284,903	101,959	386,862	30,502	9,872	40,374	2,789	703	128	430,856

## CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2018

Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			Integration Joint Boards			Consolidated Total Reserves £'000	
	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	Individual Endowment Funds £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Aberdeen City £'000	Aberdeenshire £'000	Moray £'000		
Balance at 31 March 2017	288,848	76,856	365,605	33,684	9,332	43,016	5,209	5	1,352	415,387	
Prior year adjustments for changes in accounting policy and material errors			0			0				0	
Restated Balance at 1 April 2017	288,848	76,856	365,605	33,684	9,332	43,016	5,209	5	1,352	415,387	
Changes in taxpayers' equity for 2017-18											
Net gain on revaluation/indexation of property, plant and equipment	7a	0	30,788	30,788	0	0	0	0	0	30,788	
Net gain on revaluation of financial assets	10	0	0	0	7	(727)	(720)	0	0	(720)	
Impairment of property, plant and equipment	7a	0	(9,835)	(9,835)	0	0	0	0	0	(9,835)	
Revaluation & impairments taken to operating costs	2a	0	9,835	9,835	0	0	0	0	0	9,835	
Transfers between reserves		6,649	(6,649)	0	0	0	0	0	0	0	
Net operating cost for the year		(1,085,197)	0	(1,085,197)	(5,069)	0	(5,069)	(1,055)	(5)	(964)	(1,092,290)
Total recognised Income and expense for 2017/18		(1,078,548)	24,139	(1,054,409)	(5,062)	(727)	(5,789)	(1,055)	(5)	(964)	(1,062,222)
Funding:											
Drawn down		1,072,349	0	1,072,349	0	0	0	0	0	0	1,072,349
Movement in General Fund Creditor		(80)	0	(80)	0	0	0	0	0	0	(80)
Balance at 31 March 2018		282,570	101,095	383,665	28,622	8,805	37,227	4,154	0	388	425,434



# GRAMPIAN HEALTH BOARD

## NOTES TO THE ACCOUNTS

### Note 1. ACCOUNTING POLICIES

#### 1) Authority

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

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

#### 1(a) Disclosure of new accounting standards

The following accounting standards have been applied for the first time in 2018-19:

- IFRS 9 Financial Instruments

The standard replaces IAS 39 and introduces a single approach to classification and measurement of financial instruments; a new forward-looking expected loss impairment model; and a revised approach to hedge accounting.

- IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 18 and introduces greater disclosure requirements, as well as a new five stage model for assessing and recognising revenue from contracts with customers.

Both standards have been applied retrospectively and without restatement of prior year figures.

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

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

#### 1(c) Standards issued but not yet effective

The following standards have been issued but are not yet effective:

- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).

### Note 1. ACCOUNTING POLICIES (cont)

HM Treasury have advised that the application of IFRS 16, the revised standard for lease accounting, will now be effective from financial year 2020/21. Implementation of IFRS 16 will require most leased buildings, plant and equipment to be included in the Statement of Financial Position as a "right to use" asset and a corresponding liability. This is a departure from the current accounting standard (IAS 17) which differentiates between an operating lease and a finance lease with the cost of all operating leases charged annually to operating costs. Work is underway to accurately quantify the impact of adoption of this new standard which is expected to have a material impact on the value of assets and liabilities reported in the Board's Financial Statements. This work involves the establishment of a local lease register to record the key information required by the standard and to support the calculation of the value of the right to use assets and corresponding liability on the Board's Statement of Financial Position. The NHS Scotland Technical Accounting Group (TAG) has also established a national sub group to lead the development of accounting guidance and ensure consistency of application of the standard across NHS Scotland Boards, including the definition of low value and short term lease arrangements. This group will also support the Scottish Government Health Directorates and NHS Boards in the assessment of the potential budgetary impact of adoption of the new standard. The impact on the financial statements as a result of all other standards mentioned above, is expected to be minimal.

#### 2) Basis of Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of Grampian Health Board Endowment Fund (operating as NHS Grampian Endowment Funds) which were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board, who are appointed by Scottish Ministers.

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

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

## **GRAMPIAN HEALTH BOARD**

### **Note 1. ACCOUNTING POLICIES (cont)**

#### **3) Retrospective Restatements**

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

#### **4) Going Concern**

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

#### **5) Accounting Convention**

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

#### **6) Funding**

##### **6 (a) Grampian Health Board**

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit (RRL). Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund. All other income receivable by the board that is not classed as funding is recognised when the transfer of goods or services (the performance obligation) is satisfied. Where income is received for goods or services that will not be delivered in the current financial year, that income is deferred.

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

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

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

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

##### **6(b) NHS Grampian Endowment Funds**

All incoming resources are recognised once the NHS Grampian Endowment Funds has received its entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

Legacies and donations to the NHS Grampian Endowment Funds are accounted for as incoming resources upon confirmation of legal entitlement and classified as restricted or unrestricted based on the donors stated wishes. Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

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

#### 7) Property, plant and equipment

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

##### 7(a) Recognition

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

All assets falling into the following categories are capitalised:

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

##### 7(b) Measurement

###### **Valuation:**

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

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

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

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

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

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

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

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

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

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

#### ***Subsequent expenditure:***

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

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### ***Revaluations and Impairment:***

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

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

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

#### **7(c) Depreciation**

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

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

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

Depreciation is charged on a straight line basis using an assessment of the remaining useful economic life determined by the Board's appointed valuers.

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

The following asset lives have been used:

	Useful Life
Buildings Structure	20-90
Buildings Engineering	5-35
Moveable engineering plant and equipment and equipment and long life medical equipment	10
Furniture and medium life medical equipment	5-10
Vehicles and soft furnishings	7-10
Office, information technology, short life medical and other equipment	2-5

### 8) Intangible Assets

#### 8(a) Recognition

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

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

The main classes of intangible assets recognised are:

*Internally generated intangible assets :*

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

Expenditure on research is not capitalised.

*Software:*

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### *Software licences:*

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

#### *Websites:*

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

### **8(b) Measurement**

#### ***Valuation:***

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

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

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

#### ***Revaluation and impairment:***

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

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

Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Temporary decreases in asset value or impairments are charged to the revaluation reserve to the extent there is an available balance for the asset concerned, and thereafter to the Statement of Comprehensive Net Expenditure.

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

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



## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 8 (c) Amortisation

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

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

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

#### Useful Life

Information technology	2-5
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#### 9) Non-current assets held for sale

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

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

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

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 10) Donated Assets

Charitable donations and legacies for the benefit of health services in Grampian are generally either made to the NHS Grampian Endowment Funds, a separate legal organisation and registered charity or to one of the many independent healthcare related charitable organisations that exist within Grampian e.g. Hospital Friends groups. Where these charitable organisations, including the NHS Grampian Endowment Funds, or from time to time an individual philanthropic donor, provides grant funding to support the purchase or construction of a physical asset, then NHS Grampian will recognise the grant funding as income within the Statement of Comprehensive Net Expenditure (SOCNE). NHS Grampian will ensure that all donations are utilised in line with any specific conditions attached by the donor. The resulting asset will be capitalised on the Statement of Financial position (SOFP) initially at the current full replacement cost. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual, as set out above.

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

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

#### 12) Leasing

##### 12(a) Finance leases

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

##### 12(b) Operating leases

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 12(c) Leases of land and buildings

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

#### 12(d) HUB Schemes

Transactions financed as revenue transactions through the Scottish Government's HUB initiative are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements* as outlined in the FReM. Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board.

The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories. The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

#### 13) Impairment of non-financial assets

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

#### 14) General Fund Receivables and Payables

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 15) Inventories

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

#### 16) Losses and Special Payments

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

#### 17) Employee Benefits

##### 17(a) Short-term Employee Benefits

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

##### 17(b) Pension Costs

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

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

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

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

## **GRAMPIAN HEALTH BOARD**

### **Note 1. ACCOUNTING POLICIES (cont)**

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

#### **18) Clinical and Medical Negligence Costs**

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

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

#### **19) Related Party Transactions**

Material related party transactions are disclosed in note 21 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

#### **20) Value Added Tax**

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

#### **21) Provisions**

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position 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.

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 22) Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 14 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

#### 23) Corresponding Amounts

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

#### 24) Financial Instruments

##### 24(a) Financial assets

###### Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

###### *Classification*

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

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

This is the default basis for financial assets.

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### **(b) Financial assets held at amortised cost**

A financial asset may be held at amortised cost where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

#### **(c) Financial assets at fair value through other comprehensive income**

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

#### **Impairment of financial assets**

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

#### **Recognition and measurement**

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

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

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

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

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### (b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

#### (c) Financial assets held at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets carried at fair value through other comprehensive income are subsequently measured at fair value. Gains or losses arising from changes in the fair value are recognised in the Statement of Comprehensive Net Expenditure until the financial asset is derecognised or reclassified. (IFRS 9 - 5.7.10)

#### 24)(b) Financial Liabilities

##### *Classification*

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- ii. they contain embedded derivatives; and/or
- iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

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

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

#### (b) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

##### **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 Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.



## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

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

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

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

#### (b) Amortised costs

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

### 25) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board. Operating segments are unlikely to directly relate to the analysis of expenditure shown in Note 3.

### 26) Cash and cash equivalents

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

### 27) Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

## GRAMPIAN HEALTH BOARD

### Note 1. ACCOUNTING POLICIES (cont)

#### 28) Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in note 20 in accordance with the requirements of HM Treasury's Financial Reporting Manual.

#### 29) Key sources of judgement, estimation and uncertainty

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

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

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

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

**Fair Value of Property, Plant & Equipment:** Aberdeen Royal Infirmary and 20% of all other property was fully revalued and all remaining property, plant and equipment subject to a desktop valuation on the basis of local market related indices at 31 March 2019, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report on page 13 above.

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

# GRAMPIAN HEALTH BOARD

## 2. NOTES TO THE CASH FLOW STATEMENT

### 2a Consolidated adjustments for non-cash transactions

	Note	2018/19 £'000	2017/18 £'000
<b>Expenditure not paid in cash</b>			
Depreciation	7a	23,452	22,858
Amortisation	6	475	523
Depreciation of donated assets	7a	1,327	1,235
Impairments on PPE charged to SoCNE		4,201	11,338
Reversal of impairments on PPE charged to SoCNE		(986)	(1,503)
Funding Of Donated Assets *	4/7a	(1,222)	(9,963)
Loss / (profit) on disposal of property, plant and equipment		33	(2,194)
Joint Ventures accounted for on an equity basis		922	2,024
<b>Total expenditure not paid in cash</b>		<b><u>28,202</u></b>	<b><u>24,318</u></b>

#### Notes :

\* Donations to fund specific capital projects are initially treated as operating income disclosed in note 4 and offset against operating expenditure in the SOCNE. Because these donations are used to meet the cost of capital, and not normal operating expenditure, the value of the donations are also included in note 2a, in order to ensure that these costs are properly recognised within the cash flow statement.

### 2b. Interest payable recognised in operating expenditure

		2018/19 £'000	2017/18 £'000
PFI Finance lease charges allocated in the year	17	<u>2,675</u>	<u>1,785</u>

# GRAMPIAN HEALTH BOARD

## 2c. CONSOLIDATED MOVEMENT IN WORKING CAPITAL BALANCES

	Note	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			Consolidated Total Movement 2018/19 £'000	NET MOVEMENT						
		Opening Balances 2018/19 £'000	Closing Balances 2018/19 £'000	Net Movement 2018/19 £'000	Opening Balances 2018/19 £'000	Closing Balances 2018/19 £'000	Net Movement 2018/19 £'000	Opening Balances 2018/19 £'000	Closing Balances 2018/19 £'000	Net Movement 2018/19 £'000		NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra group Adjustments 2017/18 £'000	Group 2017/18 £'000			
<b>INVENTORIES</b>																		
Balance Sheet		5,353	5,574															
Net Decrease				(221)			0			0	(221)				173	0	0	173
<b>TRADE AND OTHER RECEIVABLES</b>																		
Due within one year		38,044	42,914		49	27		(2,574)	(847)									
Due after more than one year		87,824	80,213															
Less: Property, Plant & Equipment (Capita) included in above		(1,419)	0															
Net (Increase)/Decrease		124,449	123,127	1,322	49	27	22	(2,574)	(847)	(1,727)	(383)				(31,946)	8	2,193	(29,745)
<b>TRADE AND OTHER PAYABLES</b>																		
Due within one year		121,770	100,796		2,685	1,027		(2,574)	(847)									
Due after more than one year		28,412	42,718															
Less: Property, Plant & Equipment (Capita) included in above		(21,257)	(4,346)															
Less: General Fund Creditor included in above		(668)	(2,116)															
Less: Lease and PFI Creditors included in above		(29,182)	(43,751)															
Net Increase/(Decrease)		99,095	93,301	(5,794)	2,685	1,027	(1,658)	(2,574)	(847)	1,727	(5,728)				7,155	2,260	(2,213)	7,202
<b>PROVISIONS</b>																		
Balance Sheet		145,098	150,734		6,672	5,223		0	0									
Net Increase				5,636			(1,449)			0	4,186				27,717	1,804	0	29,521
NET MOVEMENT (Decrease)/Increase				942			(3,085)			0	(2,143)				3,099	4,072	(20)	7,151

# GRAMPIAN HEALTH BOARD

## 3. OPERATING EXPENSES

### 3a. BOARD STAFF COSTS

	2018/19 £'000	2017/18 £'000
Medical and Dental	200,274	161,429
Nursing	238,220	235,615
Other Staff	208,727	201,834
<b>Total Staff Costs</b>	<b>647,221</b>	<b>598,878</b>

### 3b. BOARD NON STAFF OPERATING COSTS

	2018/19 £'000	2017/18 £'000
<b>Independent Primary Care Services:</b>		
General Medical Services	84,734	82,365
Pharmaceutical Services	21,140	19,489
General Dental Services	31,161	30,204
General Ophthalmic Services	10,732	10,467
<b>Sub total Independent Primary Care Services</b>	<b>147,767</b>	<b>142,525</b>
<b>Drugs and medical supplies:</b>		
Prescribed drugs Primary Care	100,457	103,327
Prescribed drugs Secondary Care	66,795	68,261
Medical Supplies	54,912	51,600
<b>Sub total Drugs and Medical Supplies</b>	<b>222,164</b>	<b>223,188</b>
<b>Other health care expenditure</b>		
Contribution to Integration Joint Boards	528,481	505,582
Goods and services from other NHSScotland bodies	18,744	18,324
Goods and services from other UK NHS bodies	1,965	1,402
Goods and services from private providers	5,497	4,261
Goods and services from voluntary organisations	2,988	2,559
Resource Transfer	68,128	67,268
Loss on disposal of assets	33	0
Depreciation and impairment of non current assets	28,469	34,451
Clinical Negligence and Employers Liability payments	13,856	37,982
Utilities, rent and other property related costs	34,123	33,396
Purchase, hire, servicing and repair of equipment	19,928	20,657
Other operating expenses	51,590	49,402
External Auditor's remuneration - statutory audit fee	191	199
- other services - details provided below	0	0
<b>Sub total other operating expenditure</b>	<b>773,993</b>	<b>775,483</b>
<b>Total Board Non Staff Operating Expenditure</b>	<b>1,143,924</b>	<b>1,141,196</b>

#### Notes :

\* Other operating expenses includes the costs of all indirect services necessary to support the delivery of healthcare. These include food and other catering consumables; cleaning supplies; purchase, repair and laundry of linen; waste disposal; administrative costs such as postage, stationery, advertising and recruitment expenses; training and development of our staff; professional legal services and other specialist advisors; travel and subsistence for staff who travel as part of their duties and running costs for our transport fleet. A detailed analysis of NHS Grampian's operating costs is published annually by the Information and Statistics Division (ISD) at <http://www.isdscotland.org/Health-Topics/Finance/Costs>.

### 3c. OPERATING EXPENSES - CHARITABLE ENDOWMENT FUNDS

	2018/19 £'000	2017/18 £'000
Patient & Staff Education and Welfare	1,224	714
Clinical Research	652	1,234
Purchase of New Equipment	712	3,058
Infrastructure Improvements	(164)	4,883
Investment management	180	178
<b>Total Charitable Endowment Funds</b>	<b>2,604</b>	<b>10,067</b>
<b>Intra Group Adjustment</b>	<b>(3,018)</b>	<b>(4,096)</b>
<b>Total Consolidated Operating Expenditure</b>	<b>1,790,731</b>	<b>1,746,045</b>

# GRAMPIAN HEALTH BOARD

## 4. OPERATING INCOME

### 4a. BOARD OPERATING INCOME

	2018/19 £'000	2017/18 £'000
Income from Scottish Government	382	0
Income from other NHS Scotland bodies	106,195	75,904
Income from NHS non-Scottish bodies	1,220	1,132
Income from private patients	29	138
Income for services commissioned by Integration Joint Board	522,580	507,708
Patient charges for primary care	6,866	6,836
Donations	1,222	9,963
Profit on disposal of assets	0	2,194
Contributions in respect of clinical and medical negligence claims*	6,741	27,098
<b>Non NHS:</b>		
Overseas patients (non-reciprocal)	233	351
Other	24,929	23,553
<b>Total Board Income</b>	<b><u>670,397</u></b>	<b><u>654,877</u></b>

### 4.b. OPERATING INCOME - CHARITABLE ENDOWMENT FUNDS

	2018/19 £'000	2017/18 £'000
<b>Total Income</b>		
Donations	1,041	1,107
Legacies	468	2,213
Investment Income	1,508	1,678
<b>Total Charitable Endowment Funds</b>	<b><u>3,017</u></b>	<b><u>4,998</u></b>
<b>Intra Group Adjustment</b>	<b>(3,018)</b>	<b>(4,096)</b>
<b>Total Consolidated Operating Income</b>	<b><u>670,396</u></b>	<b><u>655,779</u></b>

#### Notes :

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

# GRAMPIAN HEALTH BOARD

## 5. SEGMENT INFORMATION

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

	Aberdeen City H&SCP £'000	Aberdeenshire H&SCP £'000	Moray H&SCP £'000	Acute Sector £'000	Corporate & others £'000	Mental Health & Learning Disabilities £'000	£'000
Gramplan Health Board Net operating cost 2018/19	181,885	183,202	76,689	438,858	204,041	36,075	1,120,748
<b>PRIOR YEAR</b>							
Gramplan Health Board Net operating cost 2017/18	176,343	178,181	74,594	420,995	200,010	35,075	1,085,198

# GRAMPIAN HEALTH BOARD

## 6. INTANGIBLE ASSETS

2018/19

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1 April 2018	2,847	2,462	5	5,314
Additions	0	81	0	81
Disposals	(336)	0	0	(336)
<b>As at 31 March 2019</b>	<b>2,511</b>	<b>2,543</b>	<b>5</b>	<b>5,059</b>
<b>Amortisation</b>				
As at 1 April 2018	2,051	2,024	5	4,080
Provided during the year	327	148	0	475
Disposals	(336)	0	0	(336)
<b>As at 31 March 2019</b>	<b>2,042</b>	<b>2,172</b>	<b>5</b>	<b>4,219</b>
<b>Net Book Value at 1 April 2018</b>	<b>796</b>	<b>438</b>	<b>0</b>	<b>1,234</b>
<b>Net Book Value at 31 March 2019</b>	<b>469</b>	<b>371</b>	<b>0</b>	<b>840</b>

## PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	Websites £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1 April 2017	2,598	2,322	5	4,925
Additions	249	140	0	389
Disposals	0	0	0	0
<b>As at 31 March 2018</b>	<b>2,847</b>	<b>2,462</b>	<b>5</b>	<b>5,314</b>
<b>Amortisation</b>				
As at 1 April 2017	1,688	1,864	5	3,557
Provided during the year	363	160	0	523
Disposals	0	0	0	0
<b>As at 31 March 2018</b>	<b>2,051</b>	<b>2,024</b>	<b>5</b>	<b>4,080</b>
<b>Net Book Value at 1 April 2017</b>	<b>910</b>	<b>458</b>	<b>0</b>	<b>1,368</b>
<b>Net Book Value at 31 March 2018</b>	<b>796</b>	<b>438</b>	<b>0</b>	<b>1,234</b>



# GRAMPIAN HEALTH BOARD

## 7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
At 1 April 2018	32,644	437,871	1,469	2,231	136,107	31,111	4,489	26,564	672,486
Additions - purchased	0	3,928	0	115	11,194	2,364	0	8,498	26,099
Additions - donated	0	121	0	0	1,101	0	0	0	1,222
Completions	0	21,662	0	0	20	0	0	(21,682)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	(1,097)	(895)	0	0	0	0	0	0	(1,992)
Revaluations	(13)	(8,210)	6	0	0	0	0	0	(8,217)
Impairment charges	(25)	(4,037)	(139)	0	0	0	0	0	(4,201)
Impairment reversals	27	959	0	0	0	0	0	0	986
Disposals - purchased	0	(917)	0	(535)	(12,822)	(2,572)	(141)	0	(16,987)
Disposals - donated	0	0	0	0	(712)	(62)	0	0	(774)
<b>At 31 March 2019</b>	<b>31,536</b>	<b>450,482</b>	<b>1,336</b>	<b>1,811</b>	<b>134,888</b>	<b>30,841</b>	<b>4,348</b>	<b>13,380</b>	<b>668,622</b>
<b>Depreciation</b>									
At 1 April 2018	0	3,646	0	1,429	94,647	24,881	2,509	0	127,112
Provided during the year - purchased	0	13,215	77	172	7,791	1,904	293	0	23,452
Provided during the year - donated	0	507	0	9	692	89	30	0	1,327
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	(50)	0	0	0	0	0	0	(50)
Revaluations	0	(12,862)	(69)	0	0	0	0	0	(12,931)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	(917)	0	(535)	(12,417)	(2,572)	(141)	0	(16,582)
Disposals - donated	0	0	0	0	(712)	(62)	0	0	(774)
<b>At 31 March 2019</b>	<b>0</b>	<b>3,539</b>	<b>8</b>	<b>1,075</b>	<b>90,001</b>	<b>24,240</b>	<b>2,691</b>	<b>0</b>	<b>121,554</b>
<b>Net book value at 1 April 2018</b>	<b>32,644</b>	<b>434,225</b>	<b>1,469</b>	<b>802</b>	<b>41,460</b>	<b>6,230</b>	<b>1,980</b>	<b>26,564</b>	<b>545,374</b>
<b>Net book value at 31 March 2019</b>	<b>31,536</b>	<b>446,943</b>	<b>1,328</b>	<b>736</b>	<b>44,887</b>	<b>6,601</b>	<b>1,657</b>	<b>13,380</b>	<b>547,068</b>
<b>Open Market Value of Land in Land and Dwellings included Above</b>	<b>3,880</b>		<b>0</b>						
<b>Asset financing:</b>									
Owned - purchased	31,536	375,917	1,328	730	40,551	6,174	1,426	13,368	471,030
Owned - donated	0	22,321	0	6	4,336	427	231	12	27,333
Held on finance lease	0	5,519	0	0	0	0	0	0	5,519
On-balance sheet PFI contracts	0	43,186	0	0	0	0	0	0	43,186
<b>Net book value at 31 March 2019</b>	<b>31,536</b>	<b>446,943</b>	<b>1,328</b>	<b>736</b>	<b>44,887</b>	<b>6,601</b>	<b>1,657</b>	<b>13,380</b>	<b>547,068</b>

# GRAMPIAN HEALTH BOARD

## 7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED (continued)

### PRIOR YEAR

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	30,071	411,263	3,391	3,172	137,414	30,630	5,074	16,296	637,311
Additions - purchased	504	3,874	0	318	7,691	2,077	523	16,020	31,007
Additions - donated	0	7,671	0	0	982	0	235	1,075	9,963
Completions	0	6,330	0	0	218	0	279	(6,827)	0
Transfers between asset categories	0	1,963	(1,963)	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	2,028	16,646	41	0	0	0	0	0	18,715
Impairment charges	(35)	(11,303)	0	0	0	0	0	0	(11,338)
Impairment reversals	76	1,427	0	0	0	0	0	0	1,503
Disposals - purchased	0	0	0	(1,179)	(9,412)	(1,588)	(1,622)	0	(13,801)
Disposals - donated	0	0	0	(80)	(786)	(8)	0	0	(874)
At 31 March 2018	<b>32,644</b>	<b>437,871</b>	<b>1,469</b>	<b>2,231</b>	<b>136,107</b>	<b>31,111</b>	<b>4,489</b>	<b>26,564</b>	<b>672,486</b>
Depreciation									
At 1 April 2017	0	2,465	0	2,544	96,306	24,505	3,867	0	129,687
Provided during the year - purchased	0	12,579	139	134	7,889	1,876	241	0	22,858
Provided during the year - donated	0	536	0	10	573	96	20	0	1,235
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0	0
Transfers between asset categories	0	66	(66)	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(12,000)	(73)	0	0	0	0	0	(12,073)
Impairment charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	0	0	0	0	0	0	0	0
Disposals - purchased	0	0	0	(1,179)	(9,335)	(1,588)	(1,619)	0	(13,721)
Disposals - donated	0	0	0	(80)	(786)	(8)	0	0	(874)
At 31 March 2018	<b>0</b>	<b>3,646</b>	<b>0</b>	<b>1,429</b>	<b>94,647</b>	<b>24,681</b>	<b>2,509</b>	<b>0</b>	<b>127,112</b>
Net book value at 1 April 2017	<b>30,071</b>	<b>408,798</b>	<b>3,391</b>	<b>628</b>	<b>41,108</b>	<b>6,125</b>	<b>1,207</b>	<b>16,296</b>	<b>507,624</b>
Net book value at 31 March 2018	<b>32,644</b>	<b>434,225</b>	<b>1,469</b>	<b>802</b>	<b>41,460</b>	<b>6,230</b>	<b>1,980</b>	<b>26,564</b>	<b>545,374</b>
Open Market Value of Land in Land and Dwellings Included Above	4,622		0						
Asset financing:									
Owned - purchased	32,644	379,527	1,469	787	37,533	5,714	1,719	7,436	466,829
Owned - donated	0	21,815	0	15	3,927	516	261	1,134	27,668
Held on finance lease	0	5,752	0	0	0	0	0	0	5,752
On-balance sheet PFI contracts	0	27,131	0	0	0	0	0	17,994	45,125
Net book value at 31 March 2018	<b>32,644</b>	<b>434,225</b>	<b>1,469</b>	<b>802</b>	<b>41,460</b>	<b>6,230</b>	<b>1,980</b>	<b>26,564</b>	<b>545,374</b>

# GRAMPIAN HEALTH BOARD

## 7b. ASSETS HELD FOR SALE

The assets held for sale at 31st March 2019 were Woolmanhill Hospital, Inverurie Health Centre and a plot of Land, May Baird Avenue, on the Royal Cornhill Site. The sale of Woolmanhill was completed on 12th April 2019 with payment to be received in two equal tranches on 12th April 2019 and 21st March 2020. Offers of sale have been received for both Inverurie Health Centre and May Baird avenue with all planning conditions expected to be settled and sale completed during 2019/20.

### ASSETS HELD FOR SALE - CONSOLIDATED

Note	Property, Plant & Equipment £000
At 1 April 2018	0
Transfers from property plant and equipment	<u>1,942</u>
At 31 March 2019	<u>1,942</u>

### ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment £000
At 1 April 2017	2,167
Disposals of non-current assets held for sale	<u>(2,167)</u>
At 31 March 2018	<u>0</u>

## 7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

	2018/19 £000	2017/18 £000
Net book value of property, plant and equipment at 31 March		
Purchased	519,735	517,706
Donated	27,333	27,668
<b>Total</b>	<u>547,068</u>	<u>545,374</u>

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

Net book value of surplus land valued at open market value at 31 March	3,880	4,622
Net book value of surplus buildings valued at open market value at 31 March	0	895

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

<b>Total value of assets held under:</b>		
Finance Leases	5,519	5,752
PFI and PPP Contracts	43,186	45,125
	<u>48,705</u>	<u>50,877</u>

**Total depreciation charged in respect of assets held under:**

Finance leases	268	332
PFI and PPP contracts	776	467
	<u>1,044</u>	<u>799</u>

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2019 on the basis of fair value (market value, depreciated replacement cost or equivalent use value where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £4.714m (2017-18: an increase of £30.788m) which was credited to the revaluation reserve. Impairment of £3.215m (2017-18: £9.835m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

# GRAMPIAN HEALTH BOARD

## 7d. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2018/19 £'000	2017/18 £'000
<b>Expenditure</b>			
Acquisition of intangible assets	6	81	389
Acquisition of property, plant and equipment	7a	26,099	31,007
Donated asset additions	7a	1,222	9,963
HUB		0	0
<b>Gross Capital Expenditure</b>		<b>27,402</b>	<b>41,359</b>
<b>Income</b>			
Net book value of disposal of property, plant and equipment		405	80
Value of disposal of non-current assets held for sale		0	2,167
HUB - repayment of investment		6	10
Donated asset income		1,222	9,963
<b>Capital Income</b>		<b>1,633</b>	<b>12,220</b>
<b>Net Capital Expenditure</b>		<b>25,769</b>	<b>29,139</b>
<b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>			
Core Capital Resource Limit		27,348	17,866
Non core Capital Resource Limit *		(1,579)	11,273
<b>Total Capital Resource Limit</b>		<b>25,769</b>	<b>29,139</b>
<b>Saving / (excess) against Total Capital Resource Limit</b>		<b>0</b>	<b>0</b>

\* The negative non-core Capital Resource Limit (CRL) of £1.579 million related to a repayment of non-core capital funding to the SGHSCD arising from the difference between the fair value on completion of the Hub funded Foresterhill Health Centre and the Inverurie Health and care Hub (existing use value, as assessed by the Valuation Office Agency), and the funding received in prior years to cover the notional costs of work in progress, based on actual construction cash flows in line with IPSAS 32

## 8. INVENTORIES

	2018/19 £000	2017/18 £000
Raw materials and consumables	5,574	5,353

# GRAMPIAN HEALTH BOARD

## 9. TRADE AND OTHER RECEIVABLES

	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Group 2018/19 £'000	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Group 2017/18 £'000
<b>Receivables due within one year</b>								
NHS Scotland Boards	9,135			9,135	9,728			9,728
NHS Non-Scottish Bodies	834			834	1,139			1,139
VAT recoverable	1,137			1,137	1,132			1,132
Prepayments	4,301			4,301	5,439			5,439
Accrued income	1,655	7		1,662	4,777	31	(401)	4,407
Other Receivables	7,401	20	(847)	6,574	8,034	2	(2,173)	5,863
Reimbursement of provisions	16,878			16,878	4,817			4,817
Other Public Sector Bodies	1,573			1,573	2,978	16		2,994
<b>Total Receivables due within one year</b>	<b>42,914</b>	<b>27</b>	<b>(847)</b>	<b>42,094</b>	<b>38,044</b>	<b>49</b>	<b>(2,574)</b>	<b>35,519</b>
<b>Receivables due after more than one year</b>								
Accrued income	3,365			3,365	2,856			2,856
Reimbursement of Provisions	76,848			76,848	84,968			84,968
<b>Total Receivables due after more than one year</b>	<b>80,213</b>	<b>0</b>	<b>0</b>	<b>80,213</b>	<b>87,824</b>	<b>0</b>	<b>0</b>	<b>87,824</b>
<b>TOTAL RECEIVABLES</b>	<b>123,127</b>	<b>27</b>	<b>(847)</b>	<b>122,307</b>	<b>125,868</b>	<b>49</b>	<b>(2,574)</b>	<b>123,343</b>
The total receivables figure above includes a provision for bad debts of:	1,766			1,766	1,663			1,663
<b>WGA Classification</b>								
NHSScotland	9,135			9,135	9,728			9,728
Central Government Bodies	1,339			1,339	1,364			1,364
Whole of Government Bodies	1,371			1,371	2,745			2,745
Balances with NHS Bodies in England and Wales	834			834	1,139			1,139
Balances with bodies external to Government	110,448	27	(847)	109,628	110,892	49	(2,574)	108,367
<b>Total</b>	<b>123,127</b>	<b>27</b>	<b>(847)</b>	<b>122,307</b>	<b>125,868</b>	<b>49</b>	<b>(2,574)</b>	<b>123,343</b>

# GRAMPIAN HEALTH BOARD

## 9. TRADE AND OTHER RECEIVABLES (Cont)

	2018/19 £'000	2017/18 £'000
<b>Movements on the provision for impairment of receivables are as follows:</b>		
At 1 April	1,663	742
Provision for debtors impairment	112	1,008
Receivables written off during the year as uncollectable	(9)	(87)
At 31 March	<u>1,766</u>	<u>1,663</u>

As of 31 March 2019, receivables with a carrying value of £1.766m (2017/18: £1.663m) were impaired and provided for. The ageing of these receivables is as follows:

	2018/19 £'000	2017/18 £'000
Up to 6 months past due	168	0
Over 6 months past due	1,598	1,663

The impaired value of £1.77 million (2018 £1.66 million) includes £1 million (2018 £1 million) related to NHS Injury Cost Recovery Scheme. The remaining £0.77 million (2018 £0.65 million) reflects the impairment of trade receivables calculated using an expected credit loss model in line with IFRS 9.

In previous years receivables less than 1 year past their due date were not considered impaired. From 1 April 2018, with the implementation of IFRS 9, receivables are reviewed from the point in time they are raised based on historical loss rates. As at 31 March 2019, receivables with a carrying value of £3.3 million (2018 £6.1 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

	2018/19 £'000	2017/18 £'000
Up to 3 months past due	2,012	3,549
3 to 6 months past due	303	211
Over 6 months past due	1,013	2,306
	<u>3,328</u>	<u>6,066</u>

The receivables assessed as past due but not impaired were NHS Scotland Health Boards, and debt with NHS England, Wales and Northern Ireland bodies (where the debt was less than 120 days old) and there is no history of default from these customers recently.

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

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

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

	2018/19 £'000	2017/18 £'000
Existing customers with no defaults in the past	2,496	5,058

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

	2018/19 £'000	2017/18 £'000
The carrying amount of receivables are denominated in Pounds Sterling:	122,307	123,343

All non-current receivables are due within 20 years (2017/18: 20 years) from the balance sheet date.

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

The fair value of long term other receivables is £80.213m (2017/18: £87.824m).

The effective interest rate on non-current other receivables is 0.7% (2017/18: 0.7%). Pension liabilities are discounted at 0.29% (2017/18: 0.1%).

# GRAMPIAN HEALTH BOARD

## 10. FINANCIAL ASSETS

	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Group 2018/19 £'000	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Group 2017/18 £'000
Stocks and Bonds **	0	44,247	44,247	0	41,528	41,528
Other *	443	0	443	449	0	449
<b>TOTAL</b>	<b>443</b>	<b>44,247</b>	<b>44,690</b>	<b>449</b>	<b>41,528</b>	<b>41,977</b>
At 1 April	449	41,528	41,977	459	44,248	44,707
Additions	0	8,793	8,793	0	3,528	3,528
Disposals	(6)	(8,808)	(8,814)	(10)	(5,528)	(5,538)
Revaluation (deficit)/surplus transferred to equity	0	2,734	2,734	0	(720)	(720)
At 31 March	<b>443</b>	<b>44,247</b>	<b>44,690</b>	<b>449</b>	<b>41,528</b>	<b>41,977</b>
Current	0	0	0	0	0	0
Non-current	443	44,247	44,690	449	41,528	41,977
At 31 March	<b>443</b>	<b>44,247</b>	<b>44,690</b>	<b>449</b>	<b>41,528</b>	<b>41,977</b>

### Note:

\*Other financial assets comprise a further small shareholding in HUB North of Scotland Ltd an unlisted investment denominated in UK pounds and £443k in the form of non equity long term loans repayable in full with interest over 25 years, to Hub North of Scotland Ltd as part of the financing arrangements for the Aberdeen Health and Care Village, Forres, Woodside, Inverurie and Foresterhill Health Centre's

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

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

# GRAMPIAN HEALTH BOARD

## 11. CASH AND CASH EQUIVALENTS

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000	At 01/04/18 £'000	Net Change £'000	At 31/03/19 £'000
Government Banking Service account balance	565	1,456	2,021	5,007	(2,657)	2,350	0	0	0	5,572	(1,201)	4,371
Cash at bank and in hand	103	(8)	95	0	0	0	0	0	0	103	(8)	95
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash and cash equivalents - balance sheet</b>	<b>668</b>	<b>1,448</b>	<b>2,116</b>	<b>5,007</b>	<b>(2,657)</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,675</b>	<b>(1,209)</b>	<b>4,466</b>
<b>CASH AND CASH EQUIVALENTS - PRIOR YEAR</b>												
	At 01/04/17 £'000	Net Change £'000	At 31/03/18 £'000	At 01/04/17 £'000	Net Change £'000	At 31/03/18 £'000	At 01/04/17 £'000	Net Change £'000	At 31/03/18 £'000	At 01/04/17 £'000	Net Change £'000	At 31/03/18 £'000
Government Banking Service account balance	468	97	565	4,004	1,003	5,007	20	(20)	0	4,492	1,080	5,572
Cash at bank and in hand	120	(17)	103	0	0	0	0	0	0	120	(17)	103
Cash investments and deposits	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash and cash equivalents - balance sheet</b>	<b>588</b>	<b>80</b>	<b>668</b>	<b>4,004</b>	<b>1,003</b>	<b>5,007</b>	<b>20</b>	<b>(20)</b>	<b>0</b>	<b>4,612</b>	<b>1,063</b>	<b>5,675</b>

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



# GRAMPIAN HEALTH BOARD

## 12. TRADE AND OTHER PAYABLES

	NHS Grampian 2018/19 £'000	Charitable Endowment Funds 2018/19 £'000	Intra Group Adjustments 2018/19 £'000	Group 2018/19 £'000	NHS Grampian 2017/18 £'000	Charitable Endowment Funds 2017/18 £'000	Intra Group Adjustments 2017/18 £'000	Group 2017/18 £'000
<b>Payables due within one year</b>								
NHS Scotland Boards	6,572			6,572	5,147			5,147
NHS Non-Scottish Bodies	899			899	680			680
Amounts Payable to General Fund	2,116			2,116	668			668
FHS Practitioners	15,778			15,778	15,689			15,689
Trade Payables	540			540	6,997			6,997
Accruals	32,323	182	(3)	32,502	56,632	119	(2,574)	54,177
Deferred income	1,403			1,403	1,874			1,874
Net obligations under Finance Leases	312			312	292			292
Net obligations under PPP/PFI Contracts	721			721	458			458
Income tax and social security	13,484			13,484	12,088			12,088
Superannuation	6,922			6,922	8,342			8,342
Holiday Pay Accrual	2,794			2,794	3,083			3,083
Other Public Sector Bodies	13,136	645	(844)	13,137	7,710	2,566		10,276
Other payables	1,796			1,796	2,330			2,330
<b>Total Payables due within one year</b>	<b>100,796</b>	<b>1,027</b>	<b>(847)</b>	<b>100,976</b>	<b>121,770</b>	<b>2,685</b>	<b>(2,574)</b>	<b>121,881</b>
<b>Payables due after more than one year</b>								
Net obligations under Finance Leases due within 2 years	331	0	0	331	312	0	0	312
Net obligations under Finance Leases due after 2 years but within 5 years	1,130	0	0	1,130	1,069	0	0	1,069
Net obligations under Finance Leases due after 5 years	3,003	0	0	3,003	3,394	0	0	3,394
Net obligations under PPP/PFI Contracts due within 2 years	788	0	0	788	498	0	0	498
Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	2,775	0	0	2,775	1,764	0	0	1,764
Net obligations under PPP/PFI Contracts due after 5 years	34,693	0	0	34,693	21,375	0	0	21,375
<b>Total Payables due after more than one year</b>	<b>42,718</b>	<b>0</b>	<b>0</b>	<b>42,718</b>	<b>28,412</b>	<b>0</b>	<b>0</b>	<b>28,412</b>
<b>TOTAL PAYABLES</b>	<b>143,514</b>	<b>1,027</b>	<b>(847)</b>	<b>143,694</b>	<b>150,182</b>	<b>2,685</b>	<b>(2,574)</b>	<b>150,293</b>
<b>WGA Classification</b>								
NHSScotland	6,572			6,572	5,147			5,147
Central Government Bodies	22,814			22,814	20,500			20,500
Whole of Government Bodies	12,728			12,728	7,641			7,641
Balances with NHS Bodies in England and Wales	899			899	680			680
Balances with bodies external to Government	100,501			100,501	116,214			116,214
<b>Total</b>	<b>143,514</b>			<b>143,514</b>	<b>150,182</b>			<b>150,182</b>
<b>Borrowings included above comprise:</b>								
Finance Leases	4,776			4,776	5,067			5,067
PFI Contracts	38,975			38,975	24,095			24,095
	<b>43,751</b>			<b>43,751</b>	<b>29,162</b>			<b>29,162</b>
<b>The carrying amount and fair value of the non-current borrowings are as follows:</b>								
<b>Carrying amount</b>								
Finance Leases	4,464			4,464	4,775			4,775
PFI Contracts	38,254			38,254	23,637			23,637
	<b>42,718</b>			<b>42,718</b>	<b>28,412</b>			<b>28,412</b>
<b>The carrying amount of payables are denominated in Pound Sterling</b>	<b>143,514</b>	<b>1,027</b>	<b>(847)</b>	<b>143,694</b>	<b>150,182</b>	<b>2,685</b>	<b>(2,574)</b>	<b>150,293</b>

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

# GRAMPIAN HEALTH BOARD

## 13. PROVISIONS

	NHS GRAMPIAN				CHARITABLE ENDOWMENT FUNDS		Consolidated Total £'000
	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	
At 1 April 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771
Arising during the year	2,555	9,488	9,965	22,008	3,819	3,819	25,827
Utilised during the year	(459)	(2,990)	(2,851)	(6,300)	(3,573)	(3,573)	(9,873)
Unwinding of discount	275	0	(132)	143	0	0	143
Reversed unutilised	(196)	(2,035)	(7,985)	(10,216)	(1,695)	(1,695)	(11,911)
At 31 March 2019	7,512	95,069	48,153	150,734	5,223	5,223	155,957

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

### Analysis of expected timing of discounted flows to 31 March 2019

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total Board £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
Payable in one year	445	17,946	9,512	27,903	4,941	4,941	32,844
Payable between 2 - 5 years	1,776	77,123	32,800	111,699	282	282	111,981
Payable between 6 - 10 years	1,807	0	2,733	4,540	0	0	4,540
Thereafter	3,484	0	3,108	6,592	0	0	6,592
Total as at 31 March 2019	7,512	95,069	48,153	150,734	5,223	5,223	155,957

### PRIOR YEAR

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
At 1 April 2017	5,722	67,602	44,058	117,382	4,868	4,868	122,250
Arising during the year	138	28,199	12,095	40,432	5,531	5,531	45,963
Utilised during the year	(431)	(3,512)	(2,282)	(6,225)	(3,018)	(3,018)	(9,243)
Unwinding of discount	190	0	(225)	(35)	0	0	(35)
Reversed unutilised	(282)	(1,683)	(4,490)	(6,455)	(709)	(709)	(7,164)
At 31 March 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

### Analysis of expected timing of discounted flows - to 31 March 2018

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Total £'000	Provision for liabilities £'000	Total Funds Held on Trust £'000	Consolidated Total £'000
Payable in one year	391	4,810	8,912	14,113	6,054	6,054	20,167
Payable between 2 - 5 years	1,558	85,796	34,476	121,830	618	618	122,448
Payable between 6 - 10 years	1,644	0	1,234	2,878	0	0	2,878
Thereafter	1,744	0	4,534	6,278	0	0	6,278
At 31 March 2018	5,337	90,606	49,156	145,099	6,672	6,672	151,771

# GRAMPIAN HEALTH BOARD

## 13. PROVISIONS (cont)

### Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 0.29% (2017/18 0.1%) in real terms. The liabilities are provided for on the basis of the expected remaining life of the pensioners and are estimated to be incurred over a period of up to 38 years.

### Charitable Endowment Funds

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

### Clinical and Medical

The Board holds a provision to meet costs of outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for the gross cost of settlement awards, legal expenses and third party costs discounted by the Treasury discount rate of negative 0.75% in real terms (2017/18 negative 0.75%). The impact of this provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS\*).

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

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

2017/18 £000's		Note	2018/19 £000's
90,606	Provision recognising individual claims against the NHS Board at 31 March (**)	Note 13	95,069
(89,785)	Associated CNORIS receivable at 31 March	Note 9	(93,726)
49,156	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	Note 13	48,153
<b>49,977</b>	<b>Net Total Provision relating to Clinical Negligence and Other Risks at 31 March</b>		<b>49,496</b>

#### Notes:

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

\*\* The increase in provision compared to the prior year relates mainly to additional claims received during the year.

# GRAMPIAN HEALTH BOARD

## 14. CONTINGENT LIABILITIES AND ASSETS

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

	2018/19	2017/18
	£000	£000
<b>CONTINGENT LIABILITIES*</b>		
Clinical and medical compensation payments	16,998	13,370
Employers Liability payments	11	0
<b>CONTINGENT ASSETS**</b>		
Clinical and medical compensation payments	15,800	12,729

\*The contingent liability represents a number of claims for clinical negligence and employer's liability against NHS Grampian, which have not been fully provided for in note 13, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium risk of NHS Grampian having to make settlement.

\*\*The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in note 13 above.

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

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

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

Provision for paid as if at work claims is based on an estimate of the costs of potential claims from former employees. Additional liabilities may arise if more claims than estimated are lodged. Due to uncertainty, the amount cannot be estimated with reasonable accuracy.

# GRAMPIAN HEALTH BOARD

## 15. Commitments

The Board has the following Commitments relating to investment in infrastructure which have not been provided for in the accounts :

	2018/19 £000	2017/18 £000
<b>Contracted</b>		
Aberdeen Royal Infirmary Phase 2 - Section 5 Backlog Maint	0	5,204
Stonehaven Renal Dialysis Unit	0	134
Phase 1 Aberdeen Royal Infirmary - Relocation of EOPD	0	973
IM&T Building Electrical Resilience	0	222
Spynie Hospital Demolition	0	468
Royal Cornhill Hospital Ligature Reduction	1,858	726
Aberdeen Royal Infirmary Concourse	0	329
Energy Centre Gas Compressor	0	66
ICU Electrical Works	0	58
CT Scanner - Dr Grays	0	640
Aberdeen Royal Infirmary Oxygen Resilience	161	0
Child and Adolescent Mental Health Services Relocation	527	0
Royal Cornhill Hospital Kitchen Flooring	90	0
Baird & Anchor - Stage 3 Enabling Works & Fees	2,111	0
Elective Care Centre	178	0
Denburn Health Centre Replacement	166	0
Cyclotron Replacement	1,557	0
Fluoroscopy Replacement	444	0
Renal Dialysis Vans	73	0
<b>Total</b>	<b>7,165</b>	<b>8,820</b>
<b>Authorised but not Contracted</b>		
Baird & Anchor (Outline Business Case Approved)	149,747	160,452
Denburn Health Centre Replacement (OBC Approved)	7,812	8,100
Relocate Glen O Dee Water Supply	264	0
Elective Care Centre	54,858	0
Cyclotron Replacement	1,895	0
<b>Total</b>	<b>214,576</b>	<b>168,552</b>

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

- In January 2019, following a competitive tendering process, NHS Grampian selected Abbot Laboratories as the preferred bidder for a managed services contract supporting essential analytical functions within the Laboratories Medicines Unit. The contract was awarded in three lots with award of lot 3 covering Microbiology, Bacteriology and Virology confirmed in January 2019, Lot 1 covering Biochemistry and Pathology in February 2019 and lot 2 covering Haematology and Immunology in April 2019. Enabling work is underway and installation is expected to be completed with all services operational during 2019/20. The contract is expected to cost in the region of £50 million over a 10 year term and includes renewal of all critical equipment, periodic technical refresh of the equipment base, ongoing servicing and maintenance and supply of all consumables and reagents over a term of 10 years.

### Financial Guarantees, indemnities and letter of comfort

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

# GRAMPIAN HEALTH BOARD

## 16. COMMITMENTS UNDER LEASES

### Operating Leases

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

Obligations under operating leases comprise:	2018/19 £'000	2017/18 £'000
<b>Land</b>		
Not later than one year	223	220
Later than one year, not later than 2 years	223	220
Later than two year, not later than five years	670	659
Later than five years	1,486	1,670
<b>Total</b>	<b>2,602</b>	<b>2,769</b>
<b>Buildings</b>		
Not later than one year	533	538
Later than one year, not later than 2 years	515	536
Later than two year, not later than five years	1,376	1,452
Later than five years	2,312	2,782
<b>Total</b>	<b>4,736</b>	<b>5,308</b>
<b>Other</b>		
Not later than one year	919	795
Later than one year, not later than 2 years	859	904
Later than two year, not later than five years	2,048	2,213
Later than five years	11,708	12,334
<b>Total</b>	<b>15,534</b>	<b>16,246</b>
<b>Amounts charged to Operating Costs in the year were:</b>		
Hire of equipment (including vehicles)	2,568	1,524
Other operating leases	1,297	1,378
<b>Total</b>	<b>3,865</b>	<b>2,902</b>

### Finance Leases

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

#### Obligations under Finance leases comprise:

<b>Buildings</b>		
Rentals due within one year	898	815
Rentals due between one and two years (inclusive)	910	823
Rentals due between two and five years (inclusive)	2,768	2,499
Rentals due after five years	6,753	7,139
	11,329	11,276
Less interest element	(6,553)	(6,209)
	<b>4,776</b>	<b>5,067</b>

This total net obligation under finance leases is analysed in Note 12 (Payables).

# GRAMPIAN HEALTH BOARD

## 17. COMMITMENTS UNDER SERVICE CONCESSION CONTRACTS - ON BALANCE SHEET

Service Concession agreements with HUB North of Scotland Ltd for occupancy of the Aberdeen Health and Community Care Village effective 14 November 2013, Woodside Fountain Health Centre effective 28 June 2014, Forres Health and Community Care Centre effective 9 August 2014, the Energy Centre at Inverurie effective 16 January 2018, Foresterhill Health Centre effective 8 May 2018 and the Inverurie Health and Community Care Hub effective 23 July 2018. Under the terms of the Hub agreements NHS Grampian have a legal commitment to occupy the buildings for a period of 25 years and will incur charges for occupancy, maintenance and running costs. The net book value of assets financed under the HUB initiative is disclosed in note 7(a) and 7(c).

Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements; imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

	2018/19 £'000	2017/18 £'000
<b>Gross Minimum Lease Payments</b>		
Rentals due within 1 year	3,638	2,253
Due within 1 to 2 years	3,653	2,260
Due within 2 to 5 years	11,001	6,815
Due after 5 years	62,497	37,637
<b>Total</b>	<b>80,789</b>	<b>48,965</b>
<b>Less Interest Element</b>		
Rentals due within 1 year	(2,917)	(1,795)
Due within 1 to 2 years	(2,867)	(1,762)
Due within 2 to 5 years	(8,226)	(5,051)
Due after 5 years	(27,804)	(16,262)
<b>Total</b>	<b>(41,814)</b>	<b>(24,870)</b>
<b>Present value of minimum lease payments</b>		
Rentals due within 1 year	721	458
Due within 1 to 2 years	786	498
Due within 2 to 5 years	2,775	1,764
Due after 5 years	34,693	21,375
<b>Total</b>	<b>38,975</b>	<b>24,095</b>
<b>Service elements due in future periods</b>		
Rentals due within 1 year	1,208	835
Due within 1 to 2 years	1,226	850
Due within 2 to 5 years	3,834	2,655
Due after 5 years	26,055	17,499
<b>Total</b>	<b>32,323</b>	<b>21,839</b>
Interest charges	2,675	1,785
Service charges	1,114	763
Principal repayment	614	399
Other charges (Contingent rents)	14	(9)
<b>Total</b>	<b>4,417</b>	<b>2,938</b>

# GRAMPIAN HEALTH BOARD

## 18. PENSION COSTS

	2018/19 £000	2017/18 £000
Pension cost charge for the year	63,083	60,405
Additional Costs arising from early retirement	0	22
Provisions included on the Statement of Financial Position	7,512	5,337

NHS Grampian participates in the NHS Pension scheme (Scotland) which is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions, with reference to the most recent funding valuation undertaken by the scheme actuary, is set at 14.9% of pensionable pay from 1 April 2015. The employee rate is variable and will provide an actuarial yield of 9.8% of pensionable pay.

The pension liability at 31 March 2018 was £62.1 billion (March 2017: £59.7 billion). The four-yearly actuarial valuation, undertaken as at 31 March 2012, identified a shortfall of £1.4 billion in the notional fund which will be repaid by a supplementary rate of 2.6% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employer's contribution rate. The most recent actuarial valuation report, as at 31 March 2016, was published on 15 February 2019 and this recommends an increase in employers pension contribution rate to 20.9% from 1 April 2019.

The Scheme is an unfunded multi-employer defined benefit scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Grampian will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19. Details of the most recent scheme accounts published by the Scottish Public Pensions Agency (SPPA) can be accessed at the following [link](#).

NHS Grampian has no liability for other employers obligations to the multi-employer scheme and as the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

For 2018/19, normal employer contributions of £63.1 million were payable to the SPPA (2017/18 £60.4 million) at the rate of 14.9% of pensionable salaries. The total contributions made to the scheme, across all employers, for 2017/18 were £768.7 million (2016/17 £753.9 million per most recent published accounts for the NHS Superannuation Scheme). NHS Grampian's share of the total employer contributions in 2017/18 was 7.9% (2016/17 7.8%). During 2018/19 NHS Grampian incurred no additional costs arising from the early retirement of staff (2017/18 £0.022 million). Provisions amounting to £7.5 million (2017/18 £5.33 million) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly. The increase in provision relates to the recent settlement of a pre-2013 claim, originally lodged under the National Health service (Scotland) Injury Benefit regulations 1998.

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

### The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

### The previous NHS Superannuation Scheme (Scotland)

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



# GRAMPIAN HEALTH BOARD

## 18. PENSION COSTS (cont)

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

### The 1995 Section

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

### The 2008 Section

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

### National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1 <sup>st</sup> March 2013	1%	1%	2%
1 <sup>st</sup> October 2018	3%	2%	5%
1 <sup>st</sup> October 2019	5%	3%	8%

Pension members can chose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

# GRAMPIAN HEALTH BOARD

## 19. FINANCIAL INSTRUMENTS

### a FINANCIAL INSTRUMENTS BY CATEGORY

	NHS GRAMPIAN			CHARITABLE ENDOWMENT FUNDS			INTRA GROUP ADJUSTMENTS			CONSOLIDATED		
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Financial Assets £'000	Total £'000
<b>FINANCIAL ASSETS</b>												
<b>At 31 March 2019</b>												
Assets per Statement of Financial Position												
Investments	0	443	443	0	44,247	44,247	0	0	0	0	44,690	44,690
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	14,828	0	14,828	27	0	27	(847)	0	(847)	14,008	0	14,008
Cash and cash equivalents	2,116	0	2,116	2,350	0	2,350	0	0	0	4,466	0	4,466
	<u>16,944</u>	<u>443</u>	<u>17,387</u>	<u>2,377</u>	<u>44,247</u>	<u>46,624</u>	<u>(847)</u>	<u>0</u>	<u>(847)</u>	<u>16,474</u>	<u>44,690</u>	<u>63,164</u>
<b>PRIOR YEAR</b>												
<b>At 31 March 2018</b>												
Assets per Statement of Financial Position												
Investments	0	449	449	0	41,528	41,528	0	0	0	0	41,977	41,977
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	19,784	0	19,784	49	0	49	(2,574)	0	(2,574)	17,259	0	17,259
Cash and cash equivalents	668	0	668	5,007	0	5,007	0	0	0	5,675	0	5,675
	<u>20,452</u>	<u>449</u>	<u>20,901</u>	<u>5,056</u>	<u>41,528</u>	<u>46,584</u>	<u>(2,574)</u>	<u>0</u>	<u>(2,574)</u>	<u>22,934</u>	<u>41,977</u>	<u>64,911</u>
<b>FINANCIAL LIABILITIES</b>												
<b>At 31 March 2019</b>												
Liabilities per Statement of Financial Position												
Finance lease liabilities		4,776			0			0			4,776	
HUB Service Concession Liabilities		38,975			0			0			38,975	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		69,382			1,027			(847)			69,562	
		<u>113,133</u>			<u>1,027</u>			<u>(847)</u>			<u>113,313</u>	
<b>PRIOR YEAR</b>												
<b>At 31 March 2018</b>												
Liabilities per Statement of Financial Position												
Finance lease liabilities		5,067			0			0			5,067	
HUB Service Concession Liabilities		24,095			0			0			24,095	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		93,769			2,685			(2,574)			93,880	
		<u>122,931</u>			<u>2,685</u>			<u>(2,574)</u>			<u>123,042</u>	

# GRAMPIAN HEALTH BOARD

## 19. FINANCIAL INSTRUMENTS (cont) b) FINANCIAL RISK FACTORS

### Exposure to Risk

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

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

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

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

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

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

- **Credit Risk**

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

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

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

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

- **Liquidity Risk**

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

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

#### Liquidity Risk

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2019				
PFI Liabilities	3,638	3,653	11,001	62,487
Finance lease liabilities	898	910	2,768	6,753
Trade and other payables excluding statutory liabilities	69,562	0	0	0
<b>Total</b>	<b>74,098</b>	<b>4,563</b>	<b>13,769</b>	<b>69,240</b>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2018				
PFI Liabilities	2,253	2,260	6,815	37,637
Finance lease liabilities	815	823	2,499	7,139
Trade and other payables excluding statutory liabilities	93,880	0	0	0
<b>Total</b>	<b>96,948</b>	<b>3,083</b>	<b>9,314</b>	<b>44,776</b>

## GRAMPIAN HEALTH BOARD

### 19. FINANCIAL INSTRUMENTS - continued

#### b) FINANCIAL RISK FACTORS - continued

- **Market Risk**

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

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

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

**ii) Foreign Currency Risk**

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

**iii) Price Risk**

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

- **FAIR VALUE ESTIMATION**

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

The carrying value of Stocks and Bonds (relating to charitable endowment funds) is market value. The inputs to the valuation technique used to measure the fair value of all Stocks and Bonds as disclosed in Note 10 have been assessed as level 1 in the fair value hierarchy defined in IFRS 13 i.e. they are based on quoted bid prices in an active market for identical assets and liabilities. No Stocks or Bonds have been valued using level 2 or 3 inputs in the current or prior year.

### 20. THIRD PARTY ASSETS

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

	2017/18	Gross Inflows	Gross Outflows	2018/19
	£000	£000	£000	£000
Monetary amounts including bank balances	313	278	(263)	327

# GRAMPIAN HEALTH BOARD

## 21. RELATED PARTIES

### Integration Joint Boards (IJBs)

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

NHS Grampian had the following transactions with each IJB in 2018/19 :-

- Aberdeen City – Income £225.3m, expenditure £228.3m and a retained creditor balance of £8.1m. (2017/18 income £218.2 million, expenditure £217.6 million and a retained creditor balance of £5.2 million).
- Aberdeenshire – Income £209.8 million, expenditure £211.7 million and a retained creditor balance of £1.9 million. (2017/18 Income £203.67 million, expenditure £202.71 million and a retained debtor balance of £0.94 million which was settled by Aberdeenshire council during 2018/19).
- Moray – Income £87.4 million, expenditure £88.5 million and a retained creditor balance of £1.8 million. (2017/18 Income £85.9 million, expenditure £85.2 million and a retained creditor balance of £0.7 million).

### NHS Grampian Endowment Funds

All Directors of NHS Grampian also function as Trustees of the NHS Grampian Endowment Fund. The total NHS Grampian Endowment Fund balance at 31 March 2019 was £40.374 million (2017/18 £37.227 million). During the year payments totalling £2.782 million (2017/18 £3.887 million) were made to NHS Grampian by the NHS Grampian Endowment Fund to enable a range of research and other activities including infrastructure improvement for the benefit of patients and staff. The NHS Grampian Endowment Fund received £0.236 million (2017/18 £0.2 million) from NHS Grampian mainly from income for research activities.



**Grampian Health Board**

**DIRECTION BY THE SCOTTISH MINISTERS**

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006