

Highland Health Board



Highland Health Board

ANNUAL ACCOUNTS

for

THE YEAR ENDED 31 MARCH 2014

Highland Health Board

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OPERATING AND FINANCIAL REVIEW

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

1. Naming Convention

Highland NHS Board is the common name for Highland Health Board.

2. Principal activities and review of the business and future developments

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

3. Date of Issue

Financial statements were approved by the Board and authorised for issue on 25th June 2014.

4. Accounting convention

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

5. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2013/14 to 2015/16 the Auditor General appointed Stephen Boyle, Assistant Director – Audit Services Audit Scotland to undertake the audit of Highland Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

6. Board Membership

Under the terms of the Scottish Health Plan, the Health Board is a board of governance whose membership will be conditioned by the functions of the Board. Members of Health Boards are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

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

For the financial year 2013/14, the members of the Board were as follows:

Highland Health Board

Garry Coutts, Chair

Sarah Wedgwood, Vice Chair

Ian Gibson, Non Executive Member (until 30/6/13)

Elaine Wilkinson, Non Executive Member (appointed 1/7/13)

Bill Brackenridge, Non-Executive Member (until 31/05/13)

Robin Creelman, Non-Executive Member

David Alston, Non-Executive Member

Michael Evans, Non-Executive Member

Dr Iain Kennedy, Non-Executive Member

Gillian McCreath, Non-Executive Member

Okain McLennan, Non-Executive Member (until 30/1/14)

John (known as Graham) Crerar, Non-Executive Member (appointed 1/1/14)

Colin Punler, Non-Executive Member (until 30/6/13)

Dr Rhona MacDonald, Non-Executive Member (appointed 1/7/13)

John McAlpine, Non-Executive Member

Alasdair Lawton, Non-Executive Member

Ray Stewart, Non-Executive Member (until 30/9/13)

Adam Palmer, Non-Executive Member (from 1/10/13)

Dr Michael Foxley, Non-Executive Member

Myra Duncan, Non-Executive Member

Elaine Mead, Chief Executive

Nick Kenton, Director of Finance

Dr Ian Bashford, Medical Director

Heidi May, Nurse Director

Dr Margaret Somerville, Director of Public Health & Health Policy

Anne Gent, Director of Human Resource

The board members' responsibilities in relation to the accounts are set out in a statement following this report.

7. Board Members' and senior managers' interests

In line with statutory requirements the Board maintains a register of Board Members' interests which is available online on our Internet site and is updated annually.

During the year, a number of current Directors/Senior Employees indicated interests in contracts or potential contractors with the Health Board work, these were:

Garry Coutts	University of Highlands & Islands, Scottish Social Services Council
Michael Evans	ILM Highland
Gillian McCreath	Highland Council
Ray Stewart	Unite Trade Union
David Alston	University of Highlands & Islands
Myra Duncan	Scottish Government Joint Improvement Team

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Dr Iain Kennedy

BMA, Riverside Medical Practice, also as Part Owner of Premises occupied by Lloyds Pharmacy

Dr Michael Foxley

University of Highlands & Islands, Scottish Fire & Rescue Board

8. Directors third party indemnity provisions

There have been no third party indemnity provisions in place for any of the Directors at any time during the year.

9. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 24 and the remuneration report.

10. Remuneration for non audit work

Our external auditors, Audit Scotland, did not undertake any non-audit work on behalf of the Board.

11. Value of Land

The value of land (excluding land that has been declared surplus to requirements) recorded in our balance sheet is at fair value. We have not clarified whether there would be a difference using the market value. Surplus land has been valued at Open Market Value.

A full revaluation took place as at 31 March 2009.

12. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each year. Data is published on our website – <http://www.nhshighland.scot.nhs.uk/Meetings/Pages/PublicServicesReform.aspx>

13. Payment Policy

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

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

Prior to this, the Board did endeavour to comply with the principles of The Better Payment Practice Code by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner.

	2013/14	2012/13
Average period of credit taken	9 days	11 days
Percentage of invoices paid within 30 days:		
- by volume	93.96%	94.50%
- by value	95.25%	94.84%
Percentage of invoices paid within 10 days:		
- by volume	84.97%	83.63%
- by value	82.03%	86.26%

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14. Corporate Governance

The Board meets regularly during the year to progress the business of the Health Board. The Scottish Health Plan established that the following standard committees should exist at unified NHS Board level:

- Clinical governance
- Audit
- Staff Governance
- Ethics
- Discipline (for primary care contractors); and
- Public Patient Involvement

Clinical Governance Committee

The Clinical Governance Committee of the Health Board has two key roles:

- **Systems assurance** – to ensure that clinical governance mechanisms are in place and effective throughout the local NHS System; and
- **Public health governance** – to ensure that the principles and standards of clinical governance are applied to the health improvement activities of the NHS Board.

The membership of the clinical governance committee comprises four non-executive directors and three executive directors/senior managers drawn from the Board and was chaired by Sarah Wedgwood. The committee acts as guardian/custodian of the quality aims and ambitions contained within NHS Highland Quality and Patient Safety Framework and carries out the statutory duties as outlined in NHS MEL (1998)75, NHS MEL (2000)29 and NHS MEL (2001)74. The committee has also given the Board assurance that clinical governance systems are in place and working throughout the organisation.

Audit Committee

The Audit Committee comprises of a minimum of three non-executive directors from the Board and was chaired by Michael Evans. It meets approximately four times per year. The overall remit is to ensure the management of the Board's activities is in accordance with the laws and regulations governing the NHS, whilst ensuring a system of internal control is in existence and maintained to give reasonable assurance that assets are safeguarded, waste or inefficiency is avoided, risk management is in place, reliable financial information is produced and value for money is continuously sought. In June each year the Audit Committee also considers the audited Annual Accounts and recommends them for approval to the NHS Highland Board.

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 membership of the Staff Governance Committee comprises four Non-Executive Directors one of whom Colin Punler chaired the Committee until 30/06/13, then Alasdair Lawton took on the role of Chair a Lead Executive (Director of Human Resources), representation from the Highland Partnership Forum and two ex-officio members (NHS Highland Board Chair and Chief Executive). The Committee meets approximately four times per year.

NHS Highland developed a Workforce Strategy, which considered the National and Local Drivers for Change; however the prevailing financial situation across the NHS in Scotland as well as the integration of Adult Social Care Services has presented

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new and different workforce challenges to maintain and develop services. In response NHS Highland has developed a yearly Workforce Plan which is part of the Local Delivery Plan and consistent with the Highland Quality Approach that is underpinned by a range of workforce programmes that have been developed to support the implementation of the Plan. The Staff Governance Committee maintains the role of ensuring that the principles of the Staff Governance Standard are maintained through ongoing periods of change to service delivery which may impact on staff.

Ethics Committee

NHS Highland Clinical Ethics Committee is a subcommittee of the Clinical Governance Committee and meets on an ad-hoc basis depending on the need to discuss particular issues following which reports are submitted to the Clinical Governance committee. The Clinical Ethics Committee is chaired by Dr Robert Peel, consultant physician.

Discipline Committee

In common with other Boards, the Board of NHS Highland does not have its own Discipline Committee for Primary Care Contractors. Following a national review, there are now two central Disciplinary Committees in Scotland, one for the east and one for the west. Their collective membership is made up from members of the previous Board Discipline Committees.

PFPI Governance arrangements

The NHS Highland Board has overall responsibility for Patient Focus and Public Involvement. However, the term "Patient Focus and Public Involvement" includes a wide range of activities, across all services and functions, so that elements of Patient Focus and Public Involvement are reported and monitored formally through a range of performance and governance arrangements. These include the Clinical Governance Committee, and the Governance Committees attached to Highland Health and Social Care Committee and Argyll & Bute CHP. These Committees are sub committees of the NHS Board, and have formal responsibilities to ensure compliance with performance standards, including the duty to engage with local people on service planning and provision.

In addition, the NHS Board receives reports on a wide range of activities including Equality and Diversity, patient information, feedback and complaints, volunteering, advocacy, carers, and public partnership forum development. Papers submitted to the NHS Board in relation to service change, design or development must include information which reassures the Board that there is or has been appropriate patient and public involvement in the process.

15. Disclosure of Information to Auditors

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

16. Human Resources

An equal opportunities employer, the Health Board welcomes applications for employment from disabled people, 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. The Board works cooperatively with other public agencies to support disabled people to meet and consider how their experience of work could be improved and enhanced. The Board monitors both applications and the existing

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workforce to allow us to confirm that equal opportunities exist in relation to staff with any or all of the protected characteristics defined in the Equality Act 2010.

The Health Board provides employees with information on matters of concern to them as employees by providing guidance on issues relating to people management in the form of PIN (Partnership Information Network) Policies and engages and consults employees and their representatives, so their views are taken into account in decisions affecting their interests, through the Highland and Local Partnership Forums. Improved Workforce Information Reports are being developed and extended through the Introduction of eESS (Electronic Employee Support System), with general organisational information being made available to all staff on the Intranet. Ongoing work has been undertaken by the HR Sub Group in updating HR Policies and Procedures which are also accessible electronically by staff on the Intranet. An internal communications strategy also ensures that staff are informed of key developments.

Staff Governance and Partnership Working continues to be enhanced through the implementation of the Staff Governance Standards and through Workforce Planning and Development.

NHS Highland is currently developing its plans for the implementation of 'Everyone Matters' (A workforce vision for the NHS in Scotland) and is one of the Boards in Scotland preparing to be a pilot organisation for the introduction of iMatters, which is an initiative that seeks to get staff feedback within localised teams.

17. Events after the end of the reporting period

There are no events after the end of the reporting period to disclose.

18. 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 27.

The Accountable Officer authorised these financial statements for issue on 25th June 2014

By order of the Board

25 JUNE2014 *Elaine Mead* Chief Executive

Highland Health Board

STRATEGIC REPORT

1. Principal Activities and Review of the Year

The NHS Board was established in 1974 under the National Health Service (Scotland) Act 1974 and is responsible for commissioning health care services for the residents of Highland and from 1 April 2006 for Argyll and Bute.

NHS Highland's catchment area comprises the largest and most sparsely populated part of the UK with all the attendant issues of a difficult terrain, rugged coastline, populated islands and a limited internal transport and communications infrastructure. The area now covers 33,028 km² (12,752 square miles), which represents approximately 41% of the Scottish land surface. The geographical nature of the region presents particular challenges for the efficient and effective delivery of health care services.

NHS Highland now serves a population of some 310,000 residents, of which 220,000 are within the Highland Council area and 90,000 are within the Argyll & Bute Council area and sees a proportion of its patients from the influx of tourists to the Highlands, which at certain times of the year can double or even triple the local population.

The proportion of older people is above the Scottish average. However, levels of morbidity and levels of deprivation are below the Scottish average.

The Health Service in the Highland area is also a major employer, second only to the local authority in the number of people employed. Again, in business terms, this is of major significance to the Highland economy.

POLICY BACKGROUND

The government published "**Our National Health**", a plan for action and change for the Health Service in Scotland, in December 2000. The plan set out a radical programme of investment and reform designed to improve health, and enhance care, standards and access to services, streamline bureaucracy and involve patients, communities and NHS staff in decision making. It also recognised the need to simplify, improve and rationalise local decision making arrangements.

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

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

Developments during 2013/14

- a) Best start in life
- b) Wider public health
- c) Remote and rural challenges
- d) Integration of adult health and social care
- e) Highland Quality Approach
- f) Re-design of services and asset management strategy
- g) E-Health — infrastructure
- h) Infection prevention and control
- i) Public relations, partnership working and wider engagement
- j) Awards and achievements

a) **BEST START IN LIFE**

Early Years Collaborative

The earliest years of life represent the single greatest chance to make a lasting impact on a child's future. Practitioners across Highland are involved in 'tests of change' and this is resulting in various improvements, including:

- Improving ante-natal planning and services to vulnerable / 'at risk' pregnant mothers
- Increasing the uptake of Healthy Start vouchers and vitamins
- Developing an understanding about brain and child development and using this to support the building of positive relationships.

Family Nurse Partnership

Over the past 12 months, 82 young first time mum's (19 years and under) have joined the programme. The approach is proving invaluable with a higher than national average of uptake of the programme in early pregnancy. The current babies being born on the programme will start to reach one year old in July 2014 and outcomes for the children are being closely monitored. Highland Council is the Lead Agency for children's community services with strong links with NHS Highland Midwifery teams.

Baby friendly

All NHS Highland maternity units and communities are baby friendly. This is an international award from UNICEF (United Nations Children's Fund) which recognises the provision of high quality support to mothers and babies.

Patients accessing maternity services at Raigmore Hospital in Inverness described their care as "excellent". The Scottish Maternity Care Survey was commissioned by the Scottish Government as part of the Scottish Patient Experience programme.

Breastfeeding

Peer support has been well instilled in both ante and postnatal care with peers offering support in various ways - via telephone, facebook, twitter, face-to-face, in Raigmore, at antenatal classes and at groups. Training is now carried out using an in-house programme and is delivered by a peer co-ordinator.

Smoke Free Home Challenge

This initiative, now in its third year, continues to focus its efforts on children and infants living in households in disadvantaged areas, and has reached its 1000th pledge. It aims to raise awareness of the dangers of second-hand smoke, and encourages residents to sign-up to a pledge to keep their home and car smoke-free.

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b) WIDER PUBLIC HEALTH

Annual Report

The health and wellbeing of children and young people was the focus of the 2013 annual report by NHS Highland's Director of Public Health. The wide-ranging report set out some of the challenges faced by NHS Highland in providing for 19 per cent of the population of the Board's area. It also highlighted that there has been a considerable decrease in the proportion of 13 year olds reporting that they usually drank alcohol at least once a week, from 12 per cent in 2006 to three per cent in 2010.

Screening

We continue to have good uptake across the pregnancy screening and bloodspot programmes. The Newborn Hearing Screening programme also delivers to a high standard across the Highland Council area with work in progress to further improve the service in Argyll and Bute. Pre-school vision screening maintained good coverage in the Highland Council area with further discussion to achieve comparable uptake in Argyll and Bute.

Uptake of bowel, breast and cervical screening within Highland is above that achieved nationally. Work is ongoing to support the Detect Cancer Early Programme which focuses on bowel, breast and lung cancer.

Healthy weight

A dietetic -led specialist weight management service has been established which offers support to over 100 patients with severe and complex obesity per year. Well Now and Counterweight groups have been delivered in workplaces and communities by trained facilitators and plans are in place to increase the reach of these groups over the next year.

During the year three new Community Food and Health Practitioners were appointed to support the implementation of the healthy weight strategy and to improve the access and availability of healthy food.

Physical activity

Physical activity continues to be highlighted in its important role for patients and staff. 2013/14 saw progress made across a number of fronts. Towards the end of 2013/14 an NHS-wide staff survey around Physical Activity and Active travel was undertaken, with 1233 responses providing valuable insights for the ongoing promotion of Physical Activity among staff.

Work with High Life Highland has continued to build a better understanding among health professionals of local facilities and increased confidence in signposting.

Considerable work was progressed by our Community Development Officers around physical activity opportunities to promote active ageing and to raise awareness across the community that falls are not an inevitable consequence of ageing. Work to support care homes with implementation of the Care Inspectorate self —assessment resource is underway.

Highland Alcohol and Drugs Partnership

Waiting times have improved with almost 90% of people accessing treatment within 21 days from referral.

Highland is the first area in Scotland to pilot administration of intra-nasal naloxone as an additional option to the intramuscular route and early indications suggest that those apprehensive about injecting may be encouraged to administer naloxone intra-nasally.

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Progress on embedding alcohol brief interventions involved meeting and superseding government targets. A report on alcohol overprovision was also produced.

Violence against women

NHS Highland continues to support actions to tackle Violence against Women in Highland as part of the multi-agency partnership. MARAC (Multi-Agency Risk Assessment Conference) is a risk management process whereby those affected by domestic abuse, and assessed as very high risk are discussed at a multi-agency meeting where plans are developed to improve safety.

Since October 2012 there has been MARAC Co-ordinators covering Lochaber, Inverness and Ross-shire. All areas are now covered by a Co-ordinator.

During 2013/14 there was also greater focus on prevention initiatives to help children and young people and the wider community.

Person-centred approach to behaviour change

Highland Public Health Network provided training throughout Highland to staff from all agencies in taking a compassionate and strength-based approach to supporting people to make changes in their lives.

c) REMOTE AND RURAL CHALLENGES

Parts of remote and rural communities are facing significant challenges to recruit and retain GPs, hospital doctors and other professionals. There is a growing consensus of the need to explore new models of service delivery for the future. In November last year, Alex Neil, MSP, Scottish Cabinet Secretary for Health and Wellbeing, backed the need for further work to research possible solutions.

Scottish Government invested £1.5million for NHS Highland and partners to take an in-depth review and test some new ways of working. This includes looking at recruitment, education and training as well as taking a "Parliament Approach" which embraces transport, partner engagement and community involvement.

One example is taking a new approach to delivering GP services in rural Lochaber. The proposed new model would see three practices being linked together underpinned by a team of six to eight doctors working in two sub-teams; one based in Mallaig and one in Acharacle. Recruitment to the new model is ongoing but remains challenging.

As part of our wider work we hosted a visit by senior staff from South Central Foundation in Alaska which took place in February 2014.

d) INTEGRATION OF ADULT HEALTH AND SOCIAL CARE

The Scottish Parliament [passed the Public Bodies \(Joint Working\) \(Scotland\) Bill](#) on 25th February 2014. Health boards and local authorities will be required to put in place their local integrated arrangement by April 2015 with the full integration of services across Scotland expected by April 2016.

NHS Highland and the Highland Council had already implemented an integrated model of health and social care in 2012. Under these arrangements, NHS Highland took on responsibility for adult health and social care while the Highland Council now has responsibility for children's community health and social care utilising a 'lead agency' model.

During 2013/14 further steps were taken to fully integrate health and adult social care across the Highland Council area.

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The Operational Units have been developing an Integrated District Team model. These teams were rolled out from April 2013 and will provide a single point of access and assessment within a district or locality.

2013/14 also saw the appointment of a senior practitioner who is overseeing work to help drive down incidence of pressure ulcers specifically within the care homes, care-at-home and third sector

A five year improvement plan for adult care was approved by the Board. The plan included work streams on strategic commissioning, co-production, co-location of services, self care, anticipatory care and Self Directed Support.

A number of inspections (Care Homes, Care-at-Home, and Day Care) took place which were the first to be issued since the services came under NHS Highland in April 2012.

Meanwhile in Argyll and Bute, Partnership working has been ongoing to progress a body corporate model.

e) HIGHLAND QUALITY APPROACH

The Highland Quality Approach puts "quality first to deliver better health, better care and better value". It captures the spirit of how NHS Highland is working to improve care and outcomes for people in Highland. It describes our ways of working, values and behaviour.

All of our service re-designs and quality improvement work is harnessed and coordinated under the Highland Quality Approach. Specific focused improvement work in 2013/14 spanned a range of settings including endoscopy, radiotherapy, care-at-home services, improving pathway for breast patients, telecare services, community mental health services, pre-operative assessment, magnetic resonance imaging (MRI), microbiology, haematology, stroke services and ophthalmology.

Work continued with the Scottish Patient Safety in acute care and with wider roll out into GP Practices, Mental Health and Maternity Care.

We also studied feed-back from the 2013 staff survey and appointed to a new post to oversee staff experience.

f) RE-DESIGN OF SERVICES AND ASSET MANAGEMENT STRATEGY

Major service change

During the year the Scottish Government confirmed that proposed changes in two areas were classified as major re-design: Badenoch & Stathspey and Skye, Lochlash and South West Ross Service. Following a special Board meeting in March, the move to a formal three month consultation during 2014/15 was announced.

Raigmore Hospital

A fire upgrade is required across the hospital and is underway. It brought the opportunity to review the layout of the hospital. The work will take place over the next three years and links in with the work to develop the Greater Inverness Master Plan.

Phase one was completed during 2013/14. This saw Wards 8, 9 and 10 successfully combined into Ward 9 and 10, freeing up Ward 8 to be converted into a new Endoscopy Unit with a completion date by the end of May 2014. Work is also happening to complete a new Endoscopy Decontamination.

The overall vision is to reconfigure the main tower block to allow all critical care units to be co-located; to bring Ward 11 (respiratory) into the tower block and to develop a new

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Children's outpatients department and upgraded inpatient ward. Improvements to the children's ward is being developed with the Archie Foundation who during 2013/14 surpassed fund raising of £1 million.

The patient accommodation at Kyle Court on the Raigmore campus also underwent a major refurbishment during the year and completed at the end of April. The work cost approximately £300,000 and has seen a huge improvement to the facility which has been very well received.

Other developments included £560,000 investment in new, state-of-the-art sterilising equipment, a new GE HD Discovery CT scanner into Raigmore Hospital, the first of its kind placed in Europe. At a cost of over £800,000 it represents a significant step forward for patients in Highland. This scanner allows for a 40% reduction in radiation dose compared to its predecessor. The new scanner and associated software also allows local clinicians to deliver improved cardiac imaging, as well as specialist imaging of the colon. The latter has now virtually replaced the need for barium imaging.

A UV radiation monitor was installed on the roof of Raigmore Hospital's Emergency Department making it one of three sites in Scotland to host such a device. The monitor is allowing detection of the sun's strength, intensity and duration.

Health Centres

Work to replace Tain Health Centre started on site at the end of April 2013 with completion expected in summer 2014. The project is part of the first 'Design, Build, Finance and Maintain' contract in Scotland involving three projects across two Health Boards. It is being taken forward under the Scottish Futures Trust hub delivery process.

The Scottish Government allocated £3million over a three year period to allow improvements to Dingwall Health Centre (Ross-shire) to be completed and the building of a new Health Centre in Drumadrochit (West Inverness-shire). Phases one and two of the re-development of Dingwall Health Centre are completed. The final phase will see significant alterations including better consulting and treatment facilities and accommodation to allow community staff to be based in the centre.

Oban Dental Centre & Macmillan Day Bed Unit

Work on the new Oban Dental Centre and refurbishment of the Macmillan Day Bed Unit was completed during the year.

Lochgilphead In-Patient Mental Health Facility

A re-design of mental health services is ongoing which will see a significant increase in community mental health service and a new inpatient facility in Lochgilphead.

Mental Health Services in New Craig's Hospital (Inverness)

A range of redesign initiatives were progressed including two in-patient pilot wards testing the Scottish Patient Safety Programme prior to a national roll out in September 2013.

Improvements for cancer patients

A new unit in Mid Argyll Hospital, Lochgilphead dedicated to delivering treatments including some chemotherapy regimes and supportive therapies for cancer patients was completed. The service was developed in collaboration with specialist colleagues in Glasgow. It was primarily funded from Macmillan with the additional monies being provided from significant local fundraising.

Highland Rheumatology Unit/Ross Memorial Hospital (Dingwall)

Work is progressing to re-design Rheumatology and Rehabilitation services. This will look at more flexible use of beds at Ross Memorial, refurbishing parts of the building and

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recruitment to an additional Consultant Rheumatologist to further develop an out-reach model.

Redesign of Community Services, Inverness

The re-design of service across Royal Northern Infirmary (RNI) Community Hospital, York Day Hospital and Mackenzie Day Services is ongoing.

Review of Service in Islay

A comprehensive assessment of healthcare services and future needs for Islay residents is underway.

Review of Caithness Services Redesign

A programme board, consisting of prominent local community members and a representative from the third sector was established. Work streams include models of service within Caithness General Hospital, Palliative Care, Home-based services, Community rehabilitation and Dementia Care and Services. Coordinators/facilitators have been identified for all the groups and work is now underway.

Re-Shaping Care for Older People

A significant programme of work aimed at delivering services to enable older people to live healthily and independently within their own communities is gaining momentum. The work is being progressed through a partnership of NHS, Local Authority, Housing Associations, Independent and Third sector organisations as well as service users.

Belford Hospital

Early work is underway on the business case for the possible replacement of the Belford Hospital. This is at a very early stage with initial work looking at what type of facility and services would be required in the future for a new hospital.

Green Matters

NHS Highland continues to take huge energy-efficient strides and can boast being the top performing board in Scotland in terms of achieving improvements in carbon reduction for 2012/13. Work to install a biomass boiler at Raigmore Hospital got underway in September 2013. The wood pellet boilers will provide up to 80% of the hospital's heating and hot water. Once up and running it is estimated that it will save the hospital around £1million per year on energy costs and support a 40% reduction in carbon emissions. It is scheduled to be fully operational early in 2014/15.

Other initiatives completed during 2013/14 included completing installation of biomass boilers in Islay and Campeltown and connecting Caithness General Hospital to the Caithness District Heating System.

g) E-HEALTH — INFRASTRUCTURE

Intensive preparatory and implementation activity took place during 2013/14 to implement the InterSystems TrakCare System and went live in March 2014.

The new system is nationally procured with NHS Highland the seventh Scottish Health Board to move towards implementation. It replaces two former legacy patient administration systems previously in use.

Work will continue throughout 2014/15 as we develop and enhance the clinical functionality.

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h) INFECTION PREVENTION AND CONTROL

Throughout the year, infection rates across NHS Highland have continued to show a steady decline in the numbers of *Staphylococcus aureus bacteraemia* (SAB), *Clostridium difficile* (CDI) and surgical site infections. It should be noted, however, that the rate of decline in the number of SAB and CDI has slowed.

2013/14 also saw the appointment of a third and fourth consultant microbiologist and a new Infection Control Manager. A Healthcare Associated Quality Improvement Facilitator (HAI QIF) has also been secured as part of a National scheme to bridge the gap between theory and best practice through the use of quality improvement tools.

Healthcare Environment Inspectorate visits took place in five hospitals in 2013: Lorn & Islands, (Oban), Raigmore (Inverness), Belford (Fort William) Caithness General, (Wick) and Mackinnon Memorial (Broadford). In the main the reports were favourable and all recommendations for improvement have been acted upon.

With the recent implementation of the Intersystems Trakcare system, work is ongoing to establish links between laboratory systems and the patient administration system which will aid the better tracking of patients with an infection throughout their stay in hospital.

i) PUBLIC RELATIONS, PARTNERSHIP WORKING AND WIDER ENGAGEMENT

During the year we continue to step up efforts to provide a more pro-active approach to promoting news, event and the wider work and staff of NHS Highland through the local media and other outlets. During 2013/14 we issued over 300 media releases.

The Board supported the move to increase the use of social media as part of a wider strategy to strengthen communications and engagement. We have been producing more short films to promote key work, campaigns and recruitment and these are all available on NHS Highland YouTube account.

During 2013/14 we issued two (16-page) newspapers 'NHS Highland News' to all homes in the area we cover. Other documents published during the year included Board Briefing Notes – a 4 page summary of Board Papers, Review of the Year and a Forward Look promoting some of the key priorities and plans for 2014.

All media releases, social media and key publications are available on our website. From March 2014 Board Meetings are webcast with meetings archived.

NHS Highland submitted their Self Assessment for the Participation Standard to Scottish Health Council and improvements were confirmed across each area:

- NHS Highland Board is assured that systems and processes are in place to enable it to meet its statutory requirements in relation to the participation agenda.
- The public feed into governance and decision making arrangements
- NHS Highland Board is assured that a culture is encouraged throughout the organisation where participation forms part of day to day planning and delivery of services.

More generally our work to engage with service users, patients and partners continues across all areas of our work. This was captured in a summary document "101 ways we connect".

It should be clear from what has been provided in our summary that Partnership working is embedded in the way we work.

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Early Years Collaborative, Family Nurse Partnership, Integration of Health and Social Care Services, Highland Alcohol and Drug Partnership, service re-design, work with local schools; High-Life Highland and Violence against Women are a few examples of where we are collaborating with strategic partners. Some other examples are set out below:

Progress towards establishing a strategic commissioning plan for adult health and social care services continued during 2013/14. NHS Highland is one service provider but there are many others including charities, third and the private sector. It is the process of bringing everyone together that provides the best chance of identifying and meeting needs and improving outcomes.

Highlands was chosen as one of five pilot areas in Scotland to take part in a research and development programme -DALLAS (Delivering Assisted Lifestyles at Scale)

The initiative, which is investing up to £10million and will involve 10,000 people, involves finding innovative solutions to support people with long term conditions in their own home. It is being taken forward in partnership with Highland Council and Argyll & Bute Council.

Let's Get on With it Together is a partnership of voluntary organisations, NHS Highland and local authorities which is developing a self management strategy for Highland.

Highland Health and Social Care Services is underpinned by nine District Partnerships which all got up and running during the year. They are made up of staff from NHS Highland and Highland Council, community representatives, voluntary and independent providers and meet in public four times each year.

At the end of last year NHS Highland was selected as one of a small number of pilot sites to test implementation of the Scotland's National Dementia Strategy (2013-16). The focus will be on strengthening the ongoing work to establish a Dementia Friendly Community in East Sutherland.

A Health Inequalities event took place in April 2013, with the Chief Medical Officer Sir Harry Burns as our key note speaker. During the year we hosted a wide range of other events and visits covering mental health, older people, integration and adult social care and the annual cardiology event "Heart of the Matter".

The Cabinet Secretary for Health and Well being saw some of our work on integration work first hand as part of 2012/13 Annual Review held in July 2013. NHS Highland also hosted visits from Health and Sport Committee on 23rd September and Mr John Swinney (Cabinet Secretary for Finance, Employment, and Sustainable Growth in the Scottish Government) on 30th September.

Significant consultation with carers and carer organisations took place during the year to develop a new Carers Strategy.

Last year we appointed our first volunteers service manger.

j) AWARDS AND ACCOLADES DURING 2013/14

During 2013/14, NHS Highland was pleased to receive a number of local, national and UK achievements and awards. These reflect the hard work, dedication and skill of many. They included staff being awarded MBEs, Honorary Professor, and individual and team awards. Many of the accolades reflected the work being underpinned by the Highland Quality Approach. These were too numerous to mention but some are set out below:

Audiology UK Award

Audiology Argyll and Isles won team of the year for UK at the British Academy of Audiology 2013.

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Scottish Life Sciences Award

A new scheme aimed at combining specialist nursing skills with the latest Smartphone technology to help improve the quality of life of people with Crohn's disease won the award for best Commercial Collaboration at this year's Scottish Life Sciences Award.

The innovative project, which NHS Highland is running as a pilot, allows specialist nurses to interact with patients on a daily basis to help them keep up to date with the latest treatments, track their daily health and potentially predict when they might become unwell.

Self Management Award

NHS Highland was named the 'Self Management Supporting Health Board of the Year' at this year's ALLIANCE Self Management Awards. This was in recognition of the commitment shown to help people with a long-term health condition to manage their condition themselves.

Patient safety awards

NHS Highland's focus on improving patient safety – especially around medicines – was awarded first and second place at two national awards

Recognition at NHS Scotland Event

NHS Highland's Microbiology Team, based at Raigmore Hospital, was awarded the winning poster on 'efficiency' at the 2013 NHS Scotland Event poster exhibition. Two other teams had their work highly commended at the event.

Scottish First for Caithness Team

NHS Highland's community nursing team in East Caithness became the first in Scotland to complete a national programme 'releasing time to care' aimed at improving the way they work and delivering better care for patients.

Hospital staff praised

A national review of Older People in Acute Care (OPAC) at Raigmore saw staff being commended for the care they provided to older people. Ward 3A was also shortlisted for the best acute care initiative category of the Scotland's Dementia Award.

NHS Highland Twitter campaign in awards scheme

A ground-breaking Twitter campaign by NHS Highland was recognised in a national awards scheme. In the 'Who We Are' campaign, NHS Highland employees tweet about their work over the course of a week. Since it was launched over a year ago, the campaign has featured contributions from staff members ranging from medics to cooks.

At the UK Public Sector Communications Awards ceremony in Manchester on 19th November, 'Who We Are' was successful in being shortlisted in the social media campaign.

2. Financial Performance and Position

The Scottish Government set 3 budget limits at a health board level on an annual basis. These limits are:

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

Health boards are expected to contain their net expenditure within these limits, and will report on any variation from the limits as set.

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	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance Under £'000
Revenue Resource Limit			
1 Core	593,019	592,932	87
Non-core	24,875	24,874	1
Capital Resource Limit			
2 Core	16,118	16,118	0
Non-core	304	304	0
3 Cash Requirement	665,000	664,490	510

MEMORANDUM FOR IN YEAR OUTTURN

	£'000
Brought forward (surplus from previous financial year)	273
Deficit against In Year Revenue Resource Limit	186

During 2013/14, NHS Highland received brokerage of £2.5 million from the Scottish Government Health & Social Care Directorate. The Board experienced significant financial pressures throughout 2013/14. Despite successfully delivering a savings programme of around £18 million, the extent of in-year cost pressures required additional improvements that were not fully delivered in the final quarter of the year. These cost pressures included £1 million in respect of the delivery of access targets, £4.6 million in respect of locum medical staff, £4.2 million in respect of Adult Social Care packages (although the latter was partly mitigated by an additional contribution of £1 million from Highland Council).

The financial position was discussed in some detail with SGHSCD from December 2013 and throughout the final quarter. It was agreed that non-financial targets should not be adversely affected by any measures being taken to improve the financial position and this is an important part of the context for the SGHSCD's willingness to provide brokerage. The brokerage received equated to around 0.3% of the Board's total revenue budget for 2013/14. A repayment profile over three years has been agreed with SGHSCD, beginning with £500,000 in 2014/15

The outlook for 2014/15 remains exceptionally challenging; with savings in excess of £22 million required (this includes over £7 million of savings met non-recurrently in 2014/15). This challenge is being addressed by a 'matrix' approach that is tackling issues by key theme as well as by functional unit of the organisation. This work is being overseen by a Programme Board chaired personally by the Chief Executive, with all Executive Directors and Operational Directors present. It is planned that on a monthly basis two Non-Executive Directors will also attend this meeting and will be able to provide assurance to other Board members. The work of the Programme Board will be reported to the full Board on a regular basis (in addition to the current reporting arrangements for financial information). The outlook beyond 2014/15 is set to remain challenging and it is clear that strategic solutions will be required. The context for this will be the principles currently being developed in the Co-production and Improvement Plan that is scheduled to go to the Board in August 2014.

Funding was made available to all Boards in Scotland during 2013/14 by Scottish Government Health & Social Care Directorate to cover impairments of assets. For NHS Highland, this funding was £8.1m and covered the impairments in value of capitalised assets and the Surplus Sites Agreement. Under the New Craig's PFI contract, as part of this transaction there was an arrangement (known as Surplus Sites Agreement) concerning

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land at Craig Dunain Hospital which required the contractor to pay the Board the higher of, the guaranteed base price or the base price plus a fifty percent share in any development surpluses arising from the development of the fourteen individual sites. The valuation of this accrued income has been undertaken this year and resulted in an impairment in value held in the accounts which is covered by this additional funding.

Bad debt provision of £346,000 this year (prior year £399,000) is based on all non-government debt outstanding greater than one year old except for RTA reclaims which have been provided for if more than four years old. This is based on historical patterns of recovery for these debts.

Family Health Services

In 2013, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for NHS Highland indicates that the level of income that could have been generated from dental and ophthalmic charges in the year to 31 December 2013 could potentially amount to £354,676.

Social, Community and Human Rights

In accordance with the Equality Act 2010 and regulations, NHS Highland promotes equality and celebrates the diversity of the population that it serves. In the Mainstreaming Report (2013-15) NHS Highland demonstrated how it aims to mainstream and build equality and diversity and its wider aspects into all of its functions. The report showed how it will meet the three aims of the General Duty; eliminating discrimination, harassment, victimisation and any other prohibited conduct; advancing equality of opportunity; fostering good relations. The development of equality outcomes provides assurance that the NHS Highland meets the equality and diversity needs of people with the nine relevant protected characteristics (race, disability, age, sex, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership, religion or belief), whether they are patients, public, carers or staff.

The NHS Highland Planning for Fairness policy ensures that the impact of equality, human rights and health inequalities is embedded and integrated into the decisions and actions of the Board. The systems of training, education and appraisal of staff also include the requirements of knowledge and understanding of equality, diversity and discrimination.

NHS Highland is required to publish a mainstreaming report and other relevant information every 2 years, and to revise the mainstreaming report and develop new equality outcomes every 4 years.

Gender Analysis

An analysis of the number of persons of each gender who were directors, senior managers and employees of the Board is set out in the table:

Description	2014			2013		
	Female	Male	Total	Female	Male	Total
Directors	9	12	21	8	15	23
Senior Managers	20	24	44	22	27	49
Employees	6,972	1,588	8,560	7,003	1,602	8,605
Totals	7,001	1,624	8,625	7,033	1,644	8,677

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Public Finance Initiative/Public Private Partnerships

Provision of Easter Ross Primary Care Resource Centre

Start date February 2005 ending January 2030.

This scheme is a redevelopment of County Hospital, Invergordon, into a Primary Care Centre and combines a community hospital and a health centre, integrating primary and community care into one community health resource. There is a twenty five year contract with an estimated capital value of £8.8 million and the PFI property will revert to the Board at the end of the contract.

Provision of New Craig's Hospital

Start date July 2000 ending June 2025.

This scheme is a replacement for the Craig Dunain Hospital, Inverness, and provides in-Patients' facilities for adults with Mental Health needs or Learning Disabilities. There is a 25 year contract with an estimated capital value of £14.4 million.

Provision of Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead

We financed the development of Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The period of the contract runs from June 2006 to May 2036 at which point the ownership of the asset will transfer to the Board. The estimated capital value of the project is £19.2 million.

Sickness Absence Data

Sickness Absence rate is 4.8% (prior year – 4.9%)

Personal Data Related Incidents

There are no personal data related incidents to disclose.

3. Performance against Key Targets

Local Delivery Plan 2013/14

Each NHS Board within NHS Scotland is required to produce an annual Local Delivery Plan. This document details each national target set by the Scottish Government (SG). These targets are known by the acronym HEAT which covers the four key areas of performance measurement. In 2013/14 there were 20 performance measures covering 15 targets

- **Health Improvement** – 6 targets (7 performance measures) measuring improvements in life expectancy and healthy life expectancy
- **Efficiency and Government Improvements** – 2 targets (4 performance measures) measuring improvements in the efficiency and effectiveness of the NHS, covering financial, and service aspects.
- **Access to Services** – 3 targets (3 performance measures) recognising patients' need for quicker and easier use of NHS services
- **Treatments appropriate to individuals** –5 targets (6 performance measures) ensuring patients receive high quality services that meet their needs.

For each target, each Board is required to produce a trajectory for the delivery of the required outcome by the set deadline, which may be over more than 1 year. This provides a basis for monitoring actual performance against plan. Each NHS Board is held to account for their performance by the Scottish Government at an Annual Accountability Review.

NHS Highland has a robust performance framework in place which uses a Balanced Scorecard methodology to measure performance during the year. The Balanced

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Scorecard is populated every 2 months with the latest reported performance for each HEAT target, along with some locally set targets. This is initially presented to the Improvement Committee of NHS Highland Board, a sub-committee of the Board chaired by NHS Highland Chairman, which meets in the intervening months to the full Board meeting to consider in detail what actions are planned/have been taken to correct under achievement in performance. The Improvement Committee then presents an Assurance report to the Board meeting the following month.

The Balanced Scorecard is published at NHS Highland level and also cascaded to the next tier of management responsibility through the 4 operational units, Raigmore, South and Mid Highland, North and West Highland and Argyll & Bute CHP. Each of the operational units has the Balanced Scorecard on their agenda at their formal Management/Committee meetings to review their performance.

A copy of the "At A Glance" Balanced Scorecard for 2013/14 is attached for information as at the 31st March 2014. For some of the targets we are not able to report the year end position due to the availability of data.

Adult Social Care Services

In addition to the monitoring of the Local Delivery Plan as described above, from the 1st April 2012 NHS Highland took on responsibility for the delivery of Adult Social Care Services from Highland Council. The details of this were set out in a comprehensive Partnership Agreement that was signed off by NHS Highland and Highland Council in March 2012.

The Partnership agreement contained a number of key performance indicators which have been measured, where possible, throughout 2013/14 and reported in the form of a Balanced Scorecard for Adult Social Care which is reviewed and report on in the same way as the HEAT Target Balanced Scorecard outlined above.

However, in addition to the Improvement Committee process, the Adult Social Care Balanced Scorecard is also presented to the Adult and Children's Services Scrutiny Committee, this Committee allows Highland Council to hold NHS Highland accountable for delivery of the key measures set out in the Partnership Agreement. Work is ongoing to refine the performance management processes with Highland Council over the coming year.

A number of Improvement Groups covering areas such as Older Adults, Mental Health, Learning Disabilities and Complex Needs/Acquired Brain Injury, have been established and they are currently reviewing the performance measures within the Adult Social Care Balanced Scorecard and seeking to identify the most appropriate measures for their particular area.

Key

Green - either on or ahead of trajectory

Amber - just behind trajectory – normally 5% off trajectory

Red - more than 5% off trajectory

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NHS Highland - "At A Glance" HEAT Targets							
Summary of the Operational Units performance as per the Balanced Scorecard reported to the Improvement Committee on 28th April 2014							
N/A = Not Applicable, N/Av - Data not Available							
Targets with a delivery date by the end of March 2014							
Board Position	Target	Month reported	Raigmore	North & West	South & Mid	Argyll and Bute	Delivery Date
	Child Healthy Weight Interventions	Dec-13	N/A	N/Av	N/Av		Mar-14
	Smoking Cessation - 2 most deprived data zones	Dec-13	N/A	Currently reported at Board Level Only			Mar-14
	Smoking Cessation - general smoking population	Jan-14	N/A	N/Av	N/Av		Mar-14
	Child Fluoride Varnish Applications	Sep-13	N/A	Currently reported at Board Level Only			Mar-14
	Financial Performance	Feb-14					Mar-14
	Cash Efficiencies	Feb-14					Mar-14
	Rate of attendances at A&E	Mar-14			N/A		Mar-14
Targets with a delivery date beyond March 2014							
Board Position	Target	Month reported	Raigmore	North & West	South & Mid	Argyll and Bute	Delivery Date
	Early Access to Antenatal Services	Mar-14	Currently reported at Board Level Only				Mar-15
	Detect Cancer Early	Apr-13	Currently reported at Board Level Only				Apr-15
	Reduce Carbon emissions	Dec-13	Currently reported at Board Level Only				Mar-15
	Reduce Energy Consumption	Dec-13	Currently reported at Board Level Only				Mar-15
	Faster Access to Specialist CAMHS - 18 weeks	Feb-14					Dec-14
No Trajectory	Reduce IVF Waiting Times		Data sources being developed				Mar-15
	4 Hour A&E Wait	Feb-14					Sep-14
	Faster Access to Psychological Therapies	Feb-14	N/A				Dec-14
	Reduction in Emergency bed days for patients aged 75+	Oct-13	N/A				Mar-15
	Delayed Discharges - 14 days	Feb-14					Mar-15
No Trajectory	Access to Dementia Support		Data sources being developed				Mar-16
	MRSA/MSSA Bacterium	Dec-13	Currently reported at Board Level only				Mar-15
	C. Diff Infections	Dec-13	Currently reported at Board Level only				Mar-15
NHS Highland - "At A Glance" Standards							
Board Position	Target	Month reported	Raigmore	North & West	South & Mid	Argyll and Bute	

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	Alcohol \Brief Interventions	Feb-14	N/A				Standard
	Inequalities Targeted Cardiovascular Health checks	Feb-14	N/A				
	Breastfeeding at 6-8 week- Target 36%	Sep-13	N/A	N/Av	N/Av		
	MMR uptake rates - target 95% at 5 years old	Dec-13	N/A				
	Sickness Absence - 4% target	Jan-14					Standard
	SMR return rate - 90% of SMR1 returns received within 6 weeks	Dec-13					
	80% of simple Complaints responded to in 20 days	Dec-13	Reported at Board Level only				
No Trajectory	Same Day Surgery Rate				N/A		
	Outpatients - DNA rate - Target 6.9%	Dec-13					
No Trajectory	Reduce Pre Operative stay				N/A		
	eKSF & PDP's - Target 80%	Feb-14					
	Suspicion of cancer referrals (62days) (Due for Delivery Dec 2010)	Dec-13	Reported at Board Level only				Standard
	All Cancer Treatment (31days) (Due for Delivery Dec 2010)	Dec-13	Reported at Board Level only				Standard
	18 weeks Referral to Treatment (Due for Delivery Dec 2010)	Feb-14	Currently reported at Board Level only				Standard
	New Outpatient Waiting times - 12 weeks - Ongoing	Dec-13					
	New Outpatient Social Unavailability						
	New Outpatient Medical Unavailability						
	12 week Treatment Time Guarantee (TTG) - Completed Waits	Dec-13					
	12 week Treatment Time Guarantee (TTG) - Ongoing Waits	Dec-13					
	Admission Waiting List - Social Unavailability						
	Admission Waiting List - Medical Unavailability						
	Hip surgery - 98% of patients treated within 24 safe operating hrs	Mar-14		N/A	N/A	N/A	
	8 Key Diagnostic tests - Completed Waits				N/A		
	8 Key Diagnostic tests - Ongoing Waits	Dec-13			N/A		
	Return Waiting List - Completed Waits						
	Return Waiting List - Ongoing Waits						
	Insulin Pumps - Under 18's	Mar-14	Reported at Board Level only				
	Insulin Pumps - Over 18's	Mar-14	Reported at Board Level only				
	Drug & Alcohol Treatment: Referral to Treatment	Dec-13	Reported at Board Level only				Standard
	Reduce Occupied Bed days for long term conditions	Aug-13	N/A				
	Reduce Average Length of Stay for Continuous Episode of care		N/A				
	End of Life Care Measure						
	Dementia (Unvalidated - validated position available annually)	Feb-14	N/A				Standard

Highland Health Board

SUSTAINABILITY AND ENVIRONMENTAL REPORT 2013-2014

OVERVIEW – CARBON & ENERGY

NHS Highland is now 3 years into Phase II of the HEAT targets for emissions and energy efficiency. Having been the highest placed Scottish Health Board in the CRC League table for 2011/12 and similarly the best achieving Board in Phase I this will be a high standard to maintain – and it will take significant sums of investment. This was not possible from Core allocations and therefore a successful bid was made to Scottish Government for £7 million of the total £24 million for NHS Scotland (30%). Being allocated in January 2013 the majority of spend has been within this current financial year and it will only be from the forthcoming year will the benefits be realised.

The main spend was in converting largely oil based heat solutions in 24 hour facilities to biomass. The exception was at the RNI hospital where the financial calculations allowed a replacement of gas for this carbon neutral alternative. Two solar PV installations were installed, adding to the 2 currently in place. A significant spend in replacing the lighting in Raigmore with LED lights was made although this will take up to 4 years to be fully realised.

IMPACTS

Lighting

Specific improvements in terms of consumption and use of space are already being seen within Raigmore. The basement has been changed from a large number of lights being switched on permanently to low cost equivalents that are on sensors – no occupancy, no cost. Similarly our energy champions within Renal have had a full refit of the ward to low energy equivalents and the user feedback is highly complementary. The 7th Floor is fully refitted and progress on the 5th floor is proceeding. Overall this £700,000 spend will pay back every 3 years or so once fully in place and require much less maintenance due to the long lasting life of the fittings. In carbon and energy terms this equates to a 2 million kWh/yr saving – an approx. reduction in energy for lighting by 50% without loss of functionality.

Biomass

There are 2 levels of installation which were progressed within the year. Small site conversions were/are in the process of being completed at RNI, Aviemore H.C., Dingwall Med. Centre, St. Vincent's, Aros HQ, Campbeltown, Islay and Dunoon.

Larger installations are progressing at Raigmore Hospital and Raigmore Accommodation. Caithness General was in the original programme but has now been added to the local Biomass CHP network – so benefit without the Capital cost.

Raigmore Hospital should save almost £100,000 per month (**£1.1 million/year**) from outset and this will increase year on year. The accommodation block is approximately one fifth the consumption of the hospital for oil but will have an increased RHI tariff due to smaller size. The savings are therefore expected to be circa £350,000/year and rising. Combining the remaining smaller sites the overall financial benefit should exceed **£1.7 million/year**. The carbon reduction from heat demand will be in region of 60% and an overall impact of 30%+ of total carbon emissions. These measures will remove some **50 million litres** from being burnt for heat over their lifetimes.

Solar PV

There is not another Renewable Energy intervention with as little hassle as Solar PV – once installed these cut energy costs and emissions with the minimum of ongoing intervention. Installations at Jeanie Deans and Aviemore Health Centre combine to add 43kW of system to the 100 kW already installed. Whilst there is significant further opportunity these will hopefully feature more in the recycling of savings necessary as part of the initial investment monies arrangement – see below.

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Combined

Aviemore has been moved from a £22,000 annual cost for heat and power to a position where there is a small net income. The carbon footprint has also reduced from **58tCO₂e** to **23.5 tCO₂e**. Many lessons can be learnt from this makeover that can be replicated in the small to medium-sized properties across the estate.

CRC costs may not be dramatically reduced due to the exclusion of oil from the national scheme but the net impact of biomass in terms of carbon emissions will exceed 10,000 tCO₂e/year. This takes the total carbon footprint for the board below **20,000tCO₂e/year**. As the interim baseline in 2009/10 was approximately **35,000 tCO₂e** for the whole estate the 5 year improvement has been **43%**. This in turn will mean that NHSH will surpass the Phase II HEAT Target and do so one year early. All indications are that we will also be the lead organisation for the HEAT Target as per Phase I. This is essentially 3 times the combined national intention and also exceeds our own high target of 30% within the Carbon Management Plan; 2 years earlier than planned.

Solar PV and Lighting will combine to provide over 3%, or **1,000tCO₂e** of further reduction once fully implemented.

For this present year however the HEAT targets have not been met – a result of the time required to make the changes necessary. Overall the total emissions for March 2013 to February 2014 are as follows –

Total Electricity =	15,493 tCO ₂ e
Total Nat. Gas =	2,740 tCO ₂ e
Total (Adj) Liquid Fuels =	1,495 tCO ₂ e

Total Emissions (2013/14) = **30,729 tCO₂e**

This is a **2.3%** increase in emissions from last year. This is very much expected as we move from an estimated calculation of adjusting the total for large sites to encompass the smaller sites. The improvement in data collection for the full estate will ensure a higher degree of accuracy in the future. In addition this almost negligible increase reflects the lack of past investment making an in-year impact. This will be radically less in next year's report.

FUTURE ACTIVITIES

The 2013/14 CRC scheme is a watershed year in relation to the start of increasing the penalty for not improving carbon emissions. The price per tonne has increased from **£12/tonne** to between **£15.60 and £16.40** depending on how organisations purchase their allowances. There is therefore a direct and growing penalty for inaction and failing to invest will result in the double impact of higher consumption costs and higher CRC Taxation.

The Scottish Government national intention for renewable heat is 11% of total used. At 60% within the coming months, and a legacy of recycling savings, NHSH could reasonably be expected to reach 80% of heat from renewable sources by 2017 and effectively have 100% of possible options implemented by this time – i.e. retaining 20% fossil fuel in case of breakdowns in patient facilities.

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The Scottish Government funding requires a number of criteria to be met – not least of which is payback terms and recycling savings. The savings from the original funding will pay for the next set of savings which in turn provides a route to a rolling and self-sustaining investment programme.

Our £7 million allocation, as can be seen from above, will generate approximately £2 million/year in lower costs and income generation. It is agreed with Health Facilities Scotland that £1 million will be invested by using each of the next 7 years (essentially the income generated) and the remainder benefits frontline service delivery. This will negate impact on core budgets for energy improvements and provide a contribution to the CRS requirements. The £1 million per year invested however will generate individual additional savings which in turn increases the subsequent years' investment levels. ***There is, therefore, a long-term legacy of this original sum that the NHS can continue to utilise and improve its running costs far into the future – whilst also continue to drive down our impact on the environment and use for non-renewable energy sources.***

In the next financial year it is hoped to have Caithness General linked to the Wick District Heating scheme for its heat needs AND a Power Purchasing Agreement for the electricity this CHP system generates. This will, in effect, make this large site 100% renewable for heat and power, and possibly second only to Girvan in the Scottish NHS estate.

Measures have been implemented that will save thousands of tonnes of carbon emissions per year. Work is ongoing to produce reductions of hundreds of tonnes of improvement to emissions per year. Focus should now shift to the low hundreds of tonnes saving per year. In many cases staff are the key to delivering this phase of the improvement – as well as, potentially, the communities that we serve. Closer integration with both these stakeholders, one optional, the other a requirement of the Empowering Communities Reform Bill, will take us closer to optimal levels of performance for Energy Consumed, Cost and Carbon emissions. Significant opportunities still remain in relation to renewable energy opportunity within our estate. As funding is not necessarily the shortfall a different approach and appreciation is now needed in going forward.

Highland Health Board

REMUNERATION REPORT

Board Members and Senior Employee Remuneration is subject to ministerial direction and the arrangements for payment are covered by Health Department instruction (currently PCS (ESM) 2013/03).

The implementation of these instructions is monitored by the Remuneration Sub Committee, whose membership is:

Garry Coutts, Chair
Sarah Wedgwood, Non Executive Director
Myra Duncan, Non Executive Director
Robin Creelman, Non Executive Director
Alasdair Lawton, Non Executive Director
Adam Palmer, Employee Director

Performance Related Pay has been processed in the year end for 2013/2014.

Performance is assessed through a standardised performance management process which measures achievement against objectives.

All Non Executive Directors are appointed by the Scottish Government Ministers for a fixed term. All other Senior Managers are on permanent contracts.

Highland Health Board

Single total figure of remuneration

	Salary (£'000) 2013-14	Bonus Payments (£'000) 2013-14	Benefits in kind (to nearest £100) 2013-14	Total Earnings in Year (£'000) 2013-14	Pension benefits (£'000) ¹ 2013-14	Total Remuneration (£'000) 2013-14
Executive Members						
Chief Executive: Elaine Mead	115 - 120	0 - 0	2,200	120 - 125	46	165 - 170
Director of Finance: Nick Kenton	85 - 90	0 - 0	0	85 - 90	36	120 - 125
Director of Public Health: Margaret Somerville	115 - 120	0 - 0	0	115 - 120	30	145 - 150
Medical Director: Ian Bashford	140 - 145	0 - 0	0	140 - 145	0	140 - 145
Nursing Director: Heidi May	80 - 85	0 - 0	1,400	80 - 85	20	100 - 105
Director of Human Resources: Anne Gent	90 - 95	0 - 0	1,900	95 - 100	44	140 - 145
Non Executive Members						
The Chair: Garry Coutts	25 - 30		1,700	30 - 35		30 - 35
Ray Stewart *	40 - 45		0	40 - 45		40 - 45
Adam Palmer **	35 - 40		0	35 - 40		35 - 40
David Alston		Salary Waived	0	-		-
William Brackenridge	0 - 5		100	0 - 5		0 - 5
Robin Creelman	10 - 15		1,500	15 - 20		15 - 20
John Crerar	0 - 5		300	0 - 5		0 - 5
Myra Duncan	10 - 15		2,300	15 - 20		15 - 20
Michael Evans	5 - 10		0	5 - 10		5 - 10
Michael Foxley	5 - 10		900	5 - 10		5 - 10
Ian Gibson	0 - 5		600	0 - 5		0 - 5
Iain Kennedy	5 - 10		0	5 - 10		5 - 10
Alasdair Lawton	5 - 10		0	5 - 10		5 - 10
Rhona Macdonald	5 - 10		600	5 - 10		5 - 10
John Mcalpine	5 - 10		1,100	5 - 10		5 - 10
Gillian Mccreath	5 - 10		0	5 - 10		5 - 10
Okain Mclennan	5 - 10		700	5 - 10		5 - 10
Colin Punter	0 - 5		0	0 - 5		0 - 5
Sarah Wedgwood	10 - 15		2,600	15 - 20		15 - 20
Elaine Wilkinson	5 - 10		1,300	5 - 10		5 - 10
Senior Employees						
Jan Baird	70 - 75	0 - 0	800	70 - 75	26	95 - 100
Margaret Brown	65 - 70	0 - 0	0	65 - 70	27	90 - 95
Linda Kirkland	65 - 70	0 - 0	0	65 - 70	57	120 - 125
Kenneth Oliver	45 - 50	0 - 0	0	45 - 50	27	75 - 80
Maimie Thompson	45 - 50	0 - 0	0	45 - 50	16	60 - 65
Deborah Jones	105 - 110	0 - 0	0	105 - 110	216	320 - 325

Footnotes

The value of pension benefits accrued during the year is calculated as: the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual.

*Employee Directors includes 35,000 - 40,000 ** 30,000 - 35,000 in respect of other duties

Single total figure of remuneration

	Salary (£'000) 2012-13	Bonus Payments (£'000) 2012-13	Benefits in kind (to nearest £100) 2012-13	Total Earnings in Year (£'000) 2012-13	Pension benefits (£'000) 2012-13	Total Remuneration (£'000) 2012-13
Executive Members						
Chief Executive: Elaine Mead	110 - 115	0 - 0	2,100	115 - 120	19	135 - 140
Director of Finance: Nick Kenton	80 - 85	0 - 0	4,000	85 - 90	16	100 - 105
Director of Public Health: Margaret Somerville	115 - 120	0 - 0	0	115 - 120	21	135 - 140
Medical Director: Ian Bashford	150 - 155	0 - 0	0	150 - 155	75	180 - 185
Nursing Director: Heidi May	80 - 85	0 - 0	400	80 - 85	15	95 - 100
Director of Human Resources: Anne Gent	90 - 95	0 - 0	1,800	90 - 95	15	105 - 110

Highland Health Board

Non Executive Members

The Chair:

Garry Coutts	25 - 30	2,200	30 - 35	30 - 35
Ray Stewart *	40 - 45	0	40 - 45	40 - 45
William Brackenridge	5 - 10	1,200	5 - 10	5 - 10
Robin Creelman	10 - 15	2,700	15 - 20	15 - 20
Myra Duncan	5 - 10	2,900	10 - 15	10 - 15
Michael Evans	5 - 10	0	5 - 10	5 - 10
Michael Foxley	5 - 10	1,500	5 - 10	5 - 10
Ian Gibson	10 - 15	3,500	15 - 20	15 - 20
Iain Kennedy	5 - 10	0	5 - 10	5 - 10
Alasdair Lawton	5 - 10	0	5 - 10	5 - 10
John McAlpine	5 - 10	1,700	5 - 10	5 - 10
Gillian McCreath	5 - 10	0	5 - 10	5 - 10
Okain McLennan	5 - 10	800	5 - 10	5 - 10
Colin Punler	5 - 10	2,500	10 - 15	10 - 15
Sarah Wedgwood	10 - 15	4,800	15 - 20	15 - 20
Margaret Davidson	0 - 5	0	0 - 5	0 - 5
Elaine Robertson	0 - 5	500	0 - 5	0 - 5
Vivian Shelley	0 - 5	200	0 - 5	0 - 5

Senior Employees

Jan Baird	65 - 70	0 - 0	700	65 - 70	12	75 - 80
Margaret Brown	60 - 65	0 - 0	0	60 - 65	13	75 - 80
Linda Kirkland	55 - 60	0 - 0	0	55 - 60	11	70 - 75
Kenneth Oliver	45 - 50	0 - 0	1,500	45 - 50	24	70 - 75
Maimie Thompson	40 - 45	0 - 0	0	40 - 45	16	55 - 60
Deborah Jones	75 - 80	0 - 0	0	75 - 80	8	85 - 90
Lesley Anne Vannan	50 - 55	-	0	50 - 55	0	50 - 55

Footnotes

The value of pension benefits accrued during the year is calculated as: the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual.

*Employee Directors includes 35,000 - 40,000 in respect of other duties

Pension Benefits

	Accrued pension at pensionable age as at 31/03/14	Accrued pension at pensionable age as at 31/03/13	Real increase in pension at pensionable age at 31/03/14	Real increase in pension at pensionable age at 31/03/13	CETV at 31/03/14	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV at 31/03/14	Real increase in CETV at 31/03/13
Executive Members									
Chief Executive: Elaine Mead	35 - 40 plus lump sum	30 - 35 plus lump sum	2,500 - 5,000	0 - 2,500	723	651	608	24	(4)
Director of Finance: Nick Kenton	25 - 30 plus lump sum	25 - 30 plus lump sum	0 - 2,500	0 - 2,500	483	436	408	15	(3)
Director of Public Health: Margaret Somerville	55 - 60 plus lump sum	50 - 55 plus lump sum	0 - 2,500	0 - 2,500	1,295	1,244	1,174	7	(11)
Medical Director: Ian Bashford	60 - 65 plus lump sum	65 - 70 plus lump sum	(5,000 - 10,000)	0 - 2,500	1,491	1,560	1,462	(91)	37
Nursing Director: Heidi May	5 - 10 plus lump sum	5 - 10 plus lump sum	0 - 2,500	0 - 2,500	158	131	111	10	6
Director of Human Resources: Anne Gent	35 - 40 plus lump sum	35 - 40 plus lump sum	0 - 2,500	0 - 2,500	823	749	707	26	(7)
Non Executive Members									
Ray Stewart	10 - 15 plus lump sum	5 - 10 plus lump sum	0 - 2,500	0 - 2,500	192	163	151	18	1
Adam Palmer	10 - 15 plus lump sum	-	0 - 2,500	-	224	212	-	0	-

Highland Health Board

Senior Employees

Jan Baird	10 - 15 plus 30 - 35 lump sum	5 - 10 plus 25 - 30 lump sum	0 - 2,500	0 - 2,500	259	219	195	22	6
Margaret Brown	10 - 15 plus 40 - 45 lump sum	10 - 15 plus 35 - 40 lump sum	0 - 2,500	0 - 2,500	264	229	208	16	3
Linda Kirkland	15 - 20 plus 50 - 55 lump sum	10 - 15 plus 40 - 45 lump sum	2,501 - 5,000	0 - 2,500	344	280	260	42	1
Kenneth Oliver	15 - 20 plus 45 - 50 lump sum	10 - 15 plus 40 - 45 lump sum	0 - 2,500	0 - 2,500	233	206	183	12	9
Maimie Thompson	5 - 10 plus 15 - 20 lump sum	5 - 10 plus 15 - 20 lump sum	0 - 2,500	0 - 2,500	112	94	77	10	9
Deborah Jones	30 - 35 plus 95 - 100 lump sum	20 - 25 plus 65 - 70 lump sum	5,001 - 10,000	0 - 2,500	584	393	369	159	(3)

2013-14

Highest Earning Director's Total Remuneration (£000s)
Median Total Remuneration Ratio

140-145
23,499
5.98

2012-13

Highest Earning Director's Total Remuneration (£000s)
Median Total Remuneration Ratio

135-140
23,301
5.95

By order of the Board

25.6 2014 *Flaine Mead* Chief Executive

Highland Health Board

HIGHLAND HEALTH BOARD

ANNUAL ACCOUNTS 2013/14

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 Highland Health Board.

This designation carries with it, responsibility for:

- the propriety and regularity of financial transactions under my control;
- for 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 governments Financial Reporting Manual and in particular to

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated to me in the Departmental Accountable Officers letter which reflects revisions to the Scottish Public Finance Manual following the publication of revised memoranda in July 2009.

Signed *Elaine Mead*

Chief Executive

Date *25 JUNE 2014*

Highland Health Board

HIGHLAND HEALTH BOARD

ANNUAL ACCOUNTS 2013/14

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 2014 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 the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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


Director of Finance

Chair 

Date 25/6/14

Highland Health Board

GOVERNANCE STATEMENT

Scope of Responsibility

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

Purpose of Internal Control

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

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

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

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.

NHS Endowments

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Highland Health Board Endowments Funds. This statement includes any relevant disclosure in respect of these Endowment Accounts. The external auditors of the Endowment Funds accounts is the firm of accountants, Mackenzie Kerr Ltd.

Governance Framework

NHS Highland's Governance Framework to support me as Accountable Officer in discharging my responsibilities is outlined in the following section.

The Board's key planned outcomes for the coming year are set out annually in the Local Delivery Plan, which outlines how we plan to deliver our key outcomes (HEAT targets). It sets out the financial and capital plans for the coming five years and an outline of NHS Highland's workforce plan. The Local Delivery Plan is agreed with the Scottish Government Health and Social Care Directorate annually.

The component parts of the Local Delivery Plan are monitored regularly through the Improvement Committee who provides assurance to the Board that the operational units are on track to deliver the key objectives and includes financial breakeven across NHS Highland.

In addition to the Improvement Committee, there are a number of other Governance Committees who support me in the discharge of my responsibilities. Each of these Committees has a clear role and remit which is set out in NHS Highland's Scheme of Delegation. Each Governance Committee is chaired by a Non-Executive Director of the

Highland Health Board

Board and has at least 2 Non-Executive Director members. With only a few exceptions all Board Meetings and Governance Committee meetings are public meetings. The Board papers and agendas are published on our website and we have recently started to webcast Board Meetings, providing all stakeholders with the opportunity to view the meetings. Each Governance Committee submits an annual report to the Audit Committee and the Board, which confirms that they have carried out their duties in accordance with their prescribed role.

A number of the Board's Governance Committees ensure compliance with relevant laws, regulations and policies and procedures, these include the Audit Committee, the Clinical Governance Committee and the Health and Safety Committee.

The development needs of executive and non executive directors are identified through a process of regular appraisal where individual learning and development needs are identified. New non executive directors have an induction process which is tailored to suit the individual and attend appropriate training e.g. Essential Skills for Board Members. As part of a training programme for Board Members and all Governance Committee members, we have run, locally, a number of training sessions covering areas such as "Understanding Governance", "Understanding Statistics", "Understanding the Finances" and Essential Skills for Board Members, further sessions are planned during 2014/15. The Board also holds regular development sessions with its members and as part of one of the development sessions in 2013/14 the board held a specific review of governance, which has led to the planning of a training event for the Board which is currently under development.

The Board promotes good governance throughout its joint working with a wide range of organisations, Local Authority, 3rd Sector and other organisations both within and external to the NHS. This is particularly relevant with the completion of the integration of adult social care within NHS Highland (from Highland Council) and the integration of elements of children's services within Highland Council (from NHS Highland). Discussions are now ongoing with Argyll and Bute Council regarding the model of integrated services and again NHS Highland will be ensuring appropriate governance. The model of integration is yet to be agreed.

NHS Highland has complied with the SPFM where relevant and applicable to a public sector body.

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 responsible for developing, implementing and maintaining internal controls across their areas;
- the work of the internal auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
- comments by the external auditors in their management letters and other reports.

The Audit Committee meets regularly throughout the year with the specific remit to review and give assurances on the system of internal control. The Committee agrees the internal audit plan, considers the internal audit reports, reviews recommendations and ensures actions are undertaken that result from these reports. External auditors review the internal audit service and report on its adequacy to the Committee including reliance on their work to inform their annual audit report to the Board. The Audit Committee has reported to the Board

Highland Health Board

regularly and highlighted key issues throughout the year. This includes the Integration of Health & Social Care within the Highlands.

Best Value

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. I can confirm that arrangements have been made to secure Best Value as set out in the SPFM and the Best Value Framework.

Risk Assessment

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 Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The key elements of the risk management strategy are:-

NHS Highland recognises that risk is inherent in the delivery of healthcare and that risk management should be part of an organisation's culture. The NHS Highland risk management strategy is based on the philosophy that the management of risk should be holistic, supporting clinical, corporate, financial, and staff governance. The risk management strategy provides a positive and proactive approach to risk management and a clear practical framework to assist all NHS Highland staff to reduce and control risks to patients, staff and others and to the organisation as a whole.

The risk management strategy provides organisational guidance in terms of risk management principles, terms, definitions, models, frameworks and processes. It supports the NHS Highland Strategic Framework and the Highland Quality Approach, driving forward quality improvement in all aspects of the healthcare agenda. It supports the achievement of NHS Highland's objectives through effective risk management and consistent application of risk management methodologies.

During 2013/14, NHS Highland has continued to develop its approach to risk management to address the issues identified in an internal audit report that was considered by the Audit Committee in March 2013. This work has been overseen by a short-life working group, chaired by the Vice Chair of the Board, and has included:

- Establishing terms of reference and membership of the short-life working group
- Holding development sessions for the Board and the Senior Management Team to discuss the approach to risk management and refresh the corporate risk register
- Developing operational risk registers for each operational unit within NHS Highland, including central functions
- Developing an integrated NHS Highland risk register that links the operational risks with the corporate risks, as appropriate
- Developing an approach to revising the NHS Highland risk management strategy and policy to bring it into line with the latest best practice guidance
- Considering key roles and responsibilities in relation to risk management, including those of the Board, the Audit Committee and the Clinical Governance Committee.

Highland Health Board

Disclosures

Brokerage

During 2013/14, NHS Highland received brokerage of £2.5m from the Scottish Government Health & Social Care Directorate. The requirement for brokerage arose from a failure to deliver the improvements required to break-even in the final quarter of the financial year. The financial position was discussed in some detail with SGHSCD from December 2013 and throughout the final quarter. It was agreed that non-financial targets should not be adversely affected by any measures being taken to improve the financial position and this is an important part of the context for the SGHSCD's willingness to provide brokerage. The brokerage received equated to around 0.3% of the Board's total revenue budget for 2013/14. A repayment profile over three years has been agreed with SGHSCD, beginning with £500,000 in 2014/15.

Records Management

Full compliance with the Public Records (Scotland) Act 2011 effective from January 2013 has not been achieved in 2013/14 but a full action plan on records management including compliance with the Act is in place and due for completion in 2014/15. A number of actions are reliant on the full implementation of the new Patient Management System which was introduced in March 2014.

Consultants Contracts

Job Plans for Consultants should be in place and an Internal Audit review identified that a significant number had not been agreed. A number still remain to be signed off and Senior Management within the Board are addressing this situation currently. As a result job plans may not be in line with Service Delivery.

Financial Management at Raigmore Hospital

It was disclosed in 2012/13 that Financial Management within Raigmore Hospital required significant improvement. As a result, high-level governance issues have been addressed especially around the governance structure, budgetary control and financial awareness. This requires to be cascaded throughout the hospital. Further work in 2014/15 has now been identified from the subsequent internal audit report recommending further improvements to embed the changes within the daily management at the hospital. Senior Management within Raigmore have Action Plans in place for these recommendations which will improve the financial position within Raigmore Hospital.

No other significant control weaknesses or issues have arisen during the previous financial year and no significant failures have arisen in the expected standard for good governance, risk management and control.

Signed:

Eaine Mead

Chief Executive

Date:

25 June 2014

Highland Health Board

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND HEALTH BOARD, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of Highland Health Board and its group for the year ended 31 March 2014 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, the Consolidated Balance Sheet, the Statement of Consolidated Cash flows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's and group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the directors' report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities or inconsistencies I consider the implications for my report.

Highland Health Board

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2014 and of their net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In 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.

Opinion on other prescribed matters

In my opinion:

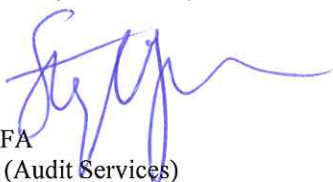
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial year for which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

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.



Stephen Boyle CPFA
Assistant Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT
25 June 2014

Highland Health Board

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN STATEMENT for the year ended 31 March 2014

Restated 2013 £'000		Note	Consolidated 2014 £'000	2014 £'000
Clinical Services Costs				
597,869	Hospital and Community	<u>4</u>	610,447	
<u>133,921</u>	Less: Hospital and Community Income	<u>8</u>	<u>125,751</u>	
463,948				484,696
157,646	Family Health	<u>5</u>	160,066	
<u>3,594</u>	Less: Family Health Income	<u>8</u>	<u>4,207</u>	
<u>154,052</u>				<u>155,859</u>
<u>618,000</u>	Total Clinical Services Costs			<u>640,555</u>
5,445	Administration Costs	<u>6</u>	5,372	
<u>13</u>	Less: Administration Income	<u>8</u>	<u>64</u>	
5,432				5,308
15,386	Other Non Clinical Services	<u>7</u>	15,297	
<u>17,768</u>	Less: Other Operating Income	<u>8</u>	<u>17,557</u>	
<u>(2,382)</u>				<u>(2,260)</u>
<u>621,050</u>	Net Operating Costs	<u>SOCTE</u>		<u>643,603</u>
OTHER COMPREHENSIVE NET EXPENDITURE				
571	Net loss/(gain) on revaluation of Property Plant and Equipment			(4,800)
(993)	Net (gain) on revaluation of available for sales financial assets			(102)
0	Actuarial change in ASC Pension			1,733
<u>620,628</u>	Total Comprehensive Expenditure			<u>640,434</u>

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

Highland Health Board

SUMMARY OF CORE REVENUE RESOURCE OUTTURN for the year ended 31 March 2014	Notes	2014 £'000	2014 £'000
Net Operating Costs			643,603
Total Non Core Expenditure (see below)			(24,874)
FHS Non Discretionary Allocation	<u>SFR1</u>		(25,968)
Donated Asset Income			50
Endowment Net Operating Costs			121
Total Core Expenditure			592,932
Core Revenue Resource Limit			<u>593,019</u>
Saving against Core Revenue Resource Limit			<u>87</u>
 SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation/Amortisation		12,658	
Annually Managed Expenditure - Impairments		1,038	
Annually Managed Expenditure – Creation of Provisions		522	
Annually Managed Expenditure – Depreciation of Donated Assets		149	
Additional SGHSCD non-core funding		8,051	
AME – Pension Valuation		1,873	
IFRS PFI Expenditure		583	
Total Non Core Expenditure			24,874
Non Core Revenue Resource Limit			<u>24,875</u>
Saving against Non Core Revenue Resource Limit			<u>1</u>

SUMMARY RESOURCE OUTTURN	Resource	Expenditure	Saving/(Excess)
	£'000	£'000	£'000
Core	593,019	592,932	87
Non Core	24,875	24,874	1
Total	<u>617,894</u>	<u>617,806</u>	<u>88</u>

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

Highland Health Board

BALANCE SHEET as at 31 March 2014


Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
315,432	315,432	311,438	311,438	Non-current assets:			
1,805	1,805	1,181	1,181	Property, plant and equipment	11	315,618	315,618
7,392	0	7,982	127	Intangible assets	10	699	699
13,080	13,080	8,130	8,130	Financial assets:			
337,709	330,317	328,731	320,876	Available for sale financial assets	14	8,123	127
				Trade and other receivables	13	8,556	8,556
				Total non-current assets		332,996	325,000
5,279	5,279	5,604	5,604	Current Assets:			
14,020	13,987	27,885	28,054	Inventories	12	5,413	5,413
688	87	943	110	Financial assets:			
120	120	273	273	Trade and other receivables	13	50,107	50,307
20,107	19,473	34,705	34,041	Cash and cash equivalents	15	1,123	155
				Assets classified as held for sale	11c	52	52
				Total current assets		56,695	55,927
357,816	349,790	363,436	354,917	Total assets		389,691	380,927
(1,966)	(1,966)	(10,193)	(10,193)	Current liabilities:			
(50,324)	(49,621)	(67,570)	(67,568)	Provisions	17	(12,405)	(12,405)
(52,290)	(51,587)	(77,763)	(77,761)	Financial liabilities:			
				Trade and other payables	16	(60,804)	(60,780)
				Total current liabilities		(73,209)	(73,185)
305,526	298,203	285,673	277,156	Non-current assets plus/less net current assets/liabilities		316,482	307,742
(9,993)	(9,993)	(6,244)	(6,244)	Non-current liabilities			
(37,064)	(37,064)	(36,534)	(36,534)	Provisions	17	(10,686)	(10,686)
(47,057)	(47,057)	(42,778)	(42,778)	Financial liabilities:			
				Trade and other payables	16	(37,076)	(37,076)
				Total non-current liabilities		(47,762)	(47,762)
258,469	251,146	242,895	234,378	Total Assets less liabilities		268,720	259,980

Highland Health Board

BALANCE SHEET as at 31 March 2014 (cont'd)

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
154,647	154,647	140,748	140,748	General fund	<u>SOCTE</u>	164,134	164,134
96,499	96,499	92,343	92,343	Revaluation reserve	<u>SOCTE</u>	94,419	94,419
0	0	1,287	1,287	Other Reserves	<u>SOCTE</u>	1,427	1,427
7,323	0	8,517	0	Fund held on Trust	<u>SOCTE</u>	8,740	0
258,469	251,146	242,895	234,378	Total taxpayers' equity		268,720	259,980

Adopted by the Board on *25/6/*2014

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 Director of Finance

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Elaine Mead
 Chief Executive

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts

Highland Health Board

STATEMENTS OF CONSOLIDATED CASH FLOWS for the year ended 31 March 2014

Restated 2013 £'000		Note	2014 £'000	2014 £'000
	Cash flows from operating activities			
(621,050)	Net operating cost	<u>SOCNE</u>	(643,603)	
17,756	Adjustments for non-cash transactions	<u>3</u>	17,916	
3,296	Add back: interest payable recognised in net operating cost	<u>3</u>	3,236	
0	Investment Income		0	
(8,935)	(Increase) in trade and other receivables	<u>18</u>	(22,648)	
(325)	(Increase)/Decrease in inventories	<u>18</u>	191	
17,759	Increase/(Decrease) in trade and other payables	<u>18</u>	(4,874)	
4,478	Increase in provisions	<u>18</u>	6,654	
(587,021)	Net cash outflow from operating activities	<u>33</u>		(643,128)
	Cash flows from investing activities			
(14,020)	Purchase of property, plant and equipment		(17,496)	
(6)	Purchase of intangible assets		(77)	
(208)	Investment Additions	<u>14</u>	(890)	
248	Proceeds of disposal of property, plant and equipment		768	
5	Proceeds of disposal of intangible assets		0	
611	Receipts from sale of investments		851	
0	Interest received		0	
(13,370)	Net cash outflow from investing activities	<u>33</u>		(16,844)
	Cash flows from financing activities			
604,416	Funding	<u>SOCTE</u>	664,445	
130	Movement in general fund working capital	<u>SOCTE</u>	45	
604,546	Cash drawn down		664,490	
(497)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1,102)	
(246)	Interest paid	<u>3</u>	(268)	
(3,050)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	<u>3</u>	(2,968)	
600,753	Net Financing	<u>33</u>		660,152
	Net Increase in cash and cash equivalents in the period			180
362				943
581	Cash and cash equivalents at the beginning of the period			943
943	Cash and cash equivalents at the end of the period			1,123
	Reconciliation of net cash flow to movement in net debt/cash			
362	Increase in cash in year			180
581	Net debt at 1 April	<u>15</u>		943
943	Net cash at 31 March	<u>15</u>		1,123

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

Highland Health Board

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2014

	Note	General Fund	Revaluation Reserve	Other Reserve	Funds Held on Trust	Total Reserves
		£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013		140,748	92,343	1,287	8,517	242,895
Changes in taxpayers' equity for 2013/14						
Net gain on revaluation/indexation of property, plant and equipment	<u>11</u>	0	4,800			4,800
Net gain on revaluation of available for sale financial assets	<u>14</u>		0		102	102
Impairment of property, plant and equipment	<u>11</u>		(4,406)			(4,406)
Revaluation & impairments taken to operating costs	<u>3</u>		4,347			4,347
Transfers between reserves		2,665	(2,665)	0		0
Other non cash costs (movement in year ASC pension costs)		0		140		140
Net operating cost for the year		(643,724)			121	(643,603)
Total recognised income and expense for 2013/14		(641,059)	2,076	140	223	(638,620)
Funding:						
Drawn down		664,490				664,490
Movement in General Fund (Creditor)	<u>cfs</u>	(45)				(45)
Balance at 31 March 2014	<u>BS</u>	164,134	94,419	1,427	8,740	268,720

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

Highland Health Board

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

		General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Funds Held on Trust	Total Reserves £'000
Balance at 31 March 2012		154,647	96,499	0	7,323	258,469
Prior year adjustments for changes in accounting policy and material errors	<u>25</u>	0	0	0	0	0
Restated balance at 1 April 2012		154,647	96,499	0	7,323	258,469
Changes in taxpayers' equity for 2012/13						
Net (loss) on revaluation/indexation of property, plant and equipment	<u>11</u>	0	(571)	0		(571)
Net gain on revaluation of available for sale financial assets	<u>14</u>				993	993
Impairment of property, plant and equipment	<u>11</u>	0	(2,124)	0		(2,124)
Revaluation & impairments taken to operating costs	<u>3</u>	0	1,477	0		1,477
Transfers between reserves		2,936	(2,936)	0		0
Transfer of non current assets from other bodies		0	(2)			(2)
Other non cash costs				1,287		1,287
Net operating cost for the year		(621,251)	0	0	201	(621,050)
Total recognised income and expense for 2012/13		(618,315)	(4,156)	1,287	1,194	(619,990)
Funding:						
Drawn down		604,546	0	0		604,546
Movement in General Fund (Creditor)		(130)	0	0		(130)
Balance at 31 March 2013	<u>BS</u>	140,748	92,343	1,287	8,517	242,895

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

Highland Health Board

HIGHLAND HEALTH BOARD

ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (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 30 below.

(a) Standards, amendments and interpretations effective in 2013-14.

There are no new standards, amendments or interpretations effective for the first time in 2013-14.

(b) Standards, amendments and interpretation early adopted in 2013-14.

There are no new standards, amendments or interpretations early adopted in 2013-14.

2. Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate Highland Health Board Endowment Funds.

NHS Endowment Funds 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. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Highland Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

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

The consolidation has required the restatement of prior year comparatives including consolidating the opening Balance Sheet as at 1 April 2012.

The principal financial statements which have been restated are as follows:

- Consolidated Statement of Comprehensive Net Expenditure
- Consolidated Statement of Financial Position (Balance Sheet)
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Taxpayers Equity

Note 33 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

Highland Health Board

3. **Prior Year Adjustments**

There are no prior year adjustments to disclose other than those adjustments arising from the adoption of IAS27 – Consolidation and Separate Financial Statements detailed at 2 above

4. **Going Concern**

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

5. **Accounting Convention**

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

6. **Funding**

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

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

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

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

Non discretionary funding 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.

7. **Property, plant and equipment**

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

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

7.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will

Highland Health Board

flow to, or service potential be provided to, the Board; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution 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 valued at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

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

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

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

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net

Highland Health Board

Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an 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.

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

7.3 Depreciation

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases 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. The depreciable amount is calculated by splitting the elements into two categories based on the pattern of consumption, future maintenance and capital expenditure. The significant elements are depreciated over the useful life of the element. The less significant "shorter life" elements are more aligned with the overall life of the building due to the impact of regular maintenance and preservation expenditure as revenue costs and as such are depreciated over the life of the building.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Structure (Shell)	25 - 100
Engineering	25-100
External Works	25 - 60
Medical Equipment	3 - 10
Other Non Clinical Equipment	3 - 10

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Furniture	5 – 10
Vehicles	3 – 7
IT Mainframe Installations	3 – 7
IT Equipment	3 – 7
Intangible assets	3 – 7

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Board intends to complete the asset and sell or use it;
- the Board has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Board to complete the development and sell or use the asset; and
- the Board can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

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

Software licences:

Purchased computer software licences are capitalised as intangible assets where expenditure of at least £5,000 is incurred.

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8.2 Measurement

Valuation:

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

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

Revaluation and impairment:

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

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

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

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

8.3 Amortisation

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

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

- 1) Software. Amortised over their expected useful life.
- 2) Software licences. Amortised over the shorter term of the licence and their useful economic lives.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Software	3 - 7
Software Licences	3 - 7

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:

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

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

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

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

12. Leasing

Finance leases

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

The asset and liability are recognised at the inception of the lease and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance

Highland Health Board

charge. The annual finance charged is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

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

Leases of land and buildings

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

13. 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 an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

14. General Fund Receivables and Payables

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

15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. 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.

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17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

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

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.

Pension costs for staff transferred from Highland Council

As part of the terms and conditions of employment for the staff transferred from Highland Council, The Board participates in the Local Government Pension Scheme administered by Highland Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Board recognises the cost of these retirement benefits in the Statement of Net Comprehensive Expenditure when they are earned by these employees, rather than when the benefits are eventually paid as pensions. Highland Council recognises the liability at 01/04/2012 attributable to these NHS Highland staff in the Highland Council accounts. Any gain or shortfall in the value of the fund attributable to NHS Highland staff in year is charged to the Statement of Net Comprehensive Expenditure.

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 Highland 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' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims

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not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

19. Related Party Transactions

Material related party transactions are disclosed in the note 29 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

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

21. PFI/HUB/NPD Schemes

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

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

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

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

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

22. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is

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significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

23. Contingencies

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

Contingent liabilities are not recognised, but are disclosed in note 19, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-

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current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

Financial Liabilities

Classification

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

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

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Other financial liabilities

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

26. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating

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resources and assessing performance of the operating segments. This has been identified as the senior management of the Board.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health and Other Service and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

27. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks 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. Where the Government Banking Service is using Citi and Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the balance sheet date:

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

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.

However, they are disclosed in note 31 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

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

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

Highland Health Board

Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing 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 Costs

The Board's accounting policy relating to the provisions for clinical and medical negligence and other claims is described in section 18 above. Reliance is placed on significant details provided by the Central Legal Office in order to establish the value of such provisions.

Employee Benefits Accrual

The accrual is estimated on the basis of information provided by managers regarding outstanding annual leave.

Assessment of Leases

Leases are assessed under IFRS as being operating or finance leases, which determine their accounting treatment. The criteria for assessment are to a certain extent subjective, but a consistent approach has been taken through the use of a standard template which sets out the relevant criteria.

Pensions and Injury Benefit Provisions

The Board has provided for estimated costs relating to pensions and provisions and reliance is placed on significant details provided by the Scottish Public Pensions Agency in order to establish the value of such provisions.

Pension Liability for the Highland Council Pension Fund used by Social Care staff transferred to NHS Highland

Estimation of the liability to pay pensions for these staff depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease of approximately £183,000 in the pension liability.

Reliance is placed on significant details provided by the actuary of the Pension Fund to establish the value of this liability.

Asset Lives

The Board has reviewed its methodology for determining useful asset lives to more faithfully reflect the actual pattern of consumption of depreciated replacement cost assets. The methodology adopted takes account of the impact of regular maintenance expenditure to align the lives of certain elements with that of the overall building. This results in a smoother and more consistent depreciation charge over the life of the asset.

Highland Health Board

NOTES TO THE ACCOUNTS For the year ended 31 March 2014

2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2014 Total £'000	2013 Total £'000
STAFF COSTS								
Salaries and wages	643	152	268,372	0	2,565	(1,109)	270,623	269,771
Social security costs	76	7	20,835	0	0	(109)	20,809	20,770
NHS scheme employers' costs	87	0	33,651	0	0	(148)	33,590	29,102
Other employers' pension costs	0	0	5,767	0	0	0	5,767	5,741
Inward secondees	0	0	0	110	0	0	110	200
Agency staff	0	0	0	0	9,593	0	9,593	5,275
TOTAL	806	159	328,625	110	12,158	(1,366)	340,492	330,859

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 29 0

STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)

	2014 Annual Mean	2013 Annual Mean
Administration Costs	80.6	82.2
Hospital and Community Services	8,373.0	8,046.8
Non Clinical Services	84.0	78.3
Inward secondees	2.9	4.1
Agency staff	92.1	52.7
Outward Secondees	(24.3)	(23.9)
Board Total Average Staff	8,608.3	8,240.2
Disabled staff	132.0	143.0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	0.5	0.0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland and Highland Council Pension Fund. Details of the schemes are in note 24

Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

	2014 Number	2013 Number
Other employees whose remuneration fell within the following ranges:		
Clinicians		
£ 50,001 to £60,000	133	127
£ 60,001 to £70,000	57	56
£ 70,001 to £80,000	45	42
£ 80,001 to £90,000	48	40
£ 90,001 to £100,000	37	34
£100,001 to £110,000	26	28
£110,001 to £120,000	30	28
£120,001 to £130,000	18	25
£130,001 to £140,000	25	22
£140,001 to £150,000	21	16
£150,001 to £160,000	17	18
£160,001 to £170,000	9	9
£170,001 to £180,000	2	4
£180,001 to £190,000	2	3
£190,001 to £200,000	1	0
£200,001 and above	2	1
Other		
£ 50,001 to £60,000	49	33
£ 60,001 to £70,000	20	16
£ 70,001 to £80,000	6	6
£ 80,001 to £90,000	6	7
£ 90,001 to £100,000	2	1
£100,001 to £110,000	1	0
£110,001 to £120,000	1	1
£120,001 to £130,000	1	0
£130,001 to £140,000	0	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	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

3. OTHER OPERATING COSTS

2013 £'000		Note	2014 £'000
	Expenditure Not Paid In Cash		
14,306	Depreciation	<u>11</u>	12,681
625	Amortisation	<u>10</u>	559
165	Depreciation Donated Assets	<u>11b</u>	149
1,475	Impairments on property, plant and equipment charged to SOCNE	<u>11</u>	4,347
2	Loss on remeasurement of non current assets held for sale	<u>11c</u>	0
(104)	Funding Of Donated Assets	<u>11b</u>	(50)
0	Loss on disposal of property, plant and equipment		90
1,287	Other non cash costs (movement in year in ASC pension costs)		140
<u>17,756</u>	Total Expenditure Not Paid In Cash	<u>CFS</u>	<u>17,916</u>
	Interest Payable		
0	Interest on late payment of commercial debt		0
2,790	PFI Finance lease charges allocated in the year	<u>23</u>	2,710
260	Other Finance lease charges allocated in the year		258
246	Provisions - Unwinding of discount		268
<u>3,296</u>	Total		<u>3,236</u>
	Statutory Audit		
230	External auditor's remuneration and expenses		<u>230</u>

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2013 £'000	BY PROVIDER	2014 £'000
398,521	Treatment in Board area of NHSScotland Patients	411,661
65,188	Other NHSScotland Bodies	68,412
874	Health Bodies outside Scotland	1,141
0	Primary care bodies	0
2,671	Private sector	3,748
	Community Care	
16,498	Resource Transfer	4,653
45,514	Health and Social Care	48,560
65,533	Contributions to Voluntary Bodies and Charities	70,103
<u>595,799</u>	Total NHSScotland Patients	<u>608,278</u>
2,070	Treatment of UK residents based outside Scotland	2,169
<u>597,869</u>	Total Hospital & Community Health Service	<u>SOCNE 610,447</u>

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

5. FAMILY HEALTH SERVICE EXPENDITURE

2013 £'000		Note	Unified Budget £'000	Non Disc £'000	2014 TOTAL £'000
58,680	Primary Medical Services	<u>SFR 9.0</u>	58,863	-	58,863
66,841	Pharmaceutical Services	<u>SFR 10</u>	56,898	11,002	67,900
26,999	General Dental Services	<u>SFR 11</u>	15,450	12,525	27,975
5,126	General Ophthalmic Services	<u>SFR 12</u>	117	5,211	5,328
157,646	Total	<u>SOCNE</u>	131,328	28,738	160,066

6. ADMINISTRATION COSTS

2013 £'000			2014 £'000
950	Board Members' remuneration	<u>Note 2 (a)</u>	965
241	Administration of Board Meetings and Committees		274
1,232	Corporate Governance and Statutory Reporting Health Planning, Commissioning and Performance Reporting		1,014
2,028	Treasury Management and Financial Planning		1,983
632	Public Relations		740
350	Other		384
12			12
5,445	Total administration costs	<u>SOCNE</u>	5,372

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

7. OTHER NON CLINICAL SERVICES

2013 £'000		2014 £'000
12	Closed hospital charges	0
1,206	Compensation payments - Clinical	181
218	Compensation payments - Other	142
2,644	Pension enhancement & redundancy	2,955
166	Patients' Travel Attending Hospitals	135
2,839	Patients' Travel Highlands and Islands scheme	2,793
1,645	Health Promotion	1,731
3,217	Public Health	3,218
71	Public Health Medicine Trainees	53
0	Emergency Planning	52
492	Post Graduate Medical Education	446
268	Shared Services	265
50	Loss on disposal of non-current assets	100
1,319	Endowment Expenditure	1,263
1,239	Other	1,963
<hr/> 15,386	Total Other Non Clinical Services	SOCNE <hr/> 15,297

Highland Health Board

NOTES TO THE ACCOUNTS For the year ended 31 March 2014

8. OPERATING INCOME

2013 £'000			2014 £'000
	HCH Income		
	NHSScotland Bodies		
22,985	Boards		23,195
2,552	NHS Non-Scottish Bodies		2,669
	Non NHS		
380	Private Patients		519
499	Compensation Income		574
86,901	SLA Integrated Services		87,489
15,809	Social Care Income		6,727
4,795	Other Hospital & Community Health Services income		4,578
133,921	Total HCH Income	<u>SOCNE</u>	125,751
	FHS Income		
72	Unified	<u>SFR 4</u>	1,437
	Non Discretionary		
3,512	General Dental Services	<u>SFR 4</u>	2,759
10	General Ophthalmic Services	<u>SFR 4</u>	11
3,594	Total FHS Income	<u>SOCNE</u>	4,207
13	Administration Income	<u>SOCNE</u>	64
	Other Operating Income		
2,762	NHS Scotland Bodies		3,113
102	SGHSCD		94
	Contributions in respect of clinical/medical negligence claims		311
1,551	Profit on disposal of non current assets		10
50	Donated Asset Additions		50
104	Endowment Income		1,384
1,520	Other		12,595
11,679			
17,768	Total Other Operating Income	<u>SOCNE</u>	17,557
155,296	Total Income		147,579
25,747	Of the above, the amount derived from NHS bodies is		26,308

Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

9. ANALYSIS OF CAPITAL EXPENDITURE

2013 £'000		Note	2014 £'000
	EXPENDITURE		
6	Acquisition of Intangible Assets	<u>10</u>	77
13,471	Acquisition of Property, Plant and Equipment	<u>11</u>	17,203
104	Donated Asset Additions	<u>11b</u>	50
127	HUB		0
<u>13,708</u>	Gross Capital Expenditure		<u>17,330</u>
	INCOME		
5	Net book value of disposal of Intangible Assets	<u>10</u>	0
231	Net book value of disposal of Property, Plant and Equipment	<u>11a</u>	634
7	Net book value of disposal of Donated Assets	<u>11b</u>	3
10	Value of disposal of Non-Current Assets held for sale	<u>11c</u>	221
104	Donated Asset Income		50
<u>357</u>	Capital Income		<u>908</u>
<u>13,351</u>	Net Capital Expenditure		<u>16,422</u>

SUMMARY OF CAPITAL RESOURCE OUTTURN

13,109	Core Capital Expenditure included above	16,118
13,109	Core Capital Resource Limit	16,118
<u>0</u>	Saving against Core Capital Resource Limit	<u>0</u>
242	Non Core Capital Expenditure included above	304
242	Non Core Capital Resource Limit	304
<u>0</u>	Saving against Non Core Capital Resource Limit	<u>0</u>
13,351	Total Capital Expenditure	16,422
13,351	Total Capital Resource Limit	16,422
<u>0</u>	Saving against Capital Resource Limit	<u>0</u>

Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

10. INTANGIBLE ASSETS - CONSOLIDATED

	Software Licences	IT- software	EC Carbon Emissions	Websites	Other Intangible	Assets Under Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
As at 1 April 2013	326	3,566	0	0	0	0	3,892
Additions	25	52	0	0	0	0	77
Disposals	0	0	0	0	0	0	0
At 31 March 2014	351	3,618	0	0	0	0	3,969
Amortisation							
As at 1 April 2013	177	2,534	0	0	0	0	2,711
Provided during the year	67	492	0	0	0	0	559
Disposals	0	0	0	0	0	0	0
At 31 March 2014	244	3,026	0	0	0	0	3,270
Net Book Value at 1 April 2013	149	1,032	0	0	0	0	1,181
Net Book Value at 31 March 2014 <u>B S</u>	107	592	0	0	0	0	699

INTANGIBLE ASSETS - BOARD

	Software Licences	IT - software	EC Carbon Emissions	Websites	Other Intangible	Assets Under Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
As at 1 April 2013	326	3,566	0	0	0	0	3,892
Additions	25	52	0	0	0	0	77
Disposals	0	0	0	0	0	0	0
At 31 March 2014	351	3,618	0	0	0	0	3,969
Amortisation							
As at 1 April 2013	177	2,534	0	0	0	0	2,711
Provided during the year	67	492	0	0	0	0	559
Disposals	0	0	0	0	0	0	0
At 31 March 2014	244	3,026	0	0	0	0	3,270
Net Book Value at 1 April 2013	149	1,032	0	0	0	0	1,181
Net Book Value at 31 March 2014 <u>B S</u>	107	592	0	0	0	0	699

Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

10. INTANGIBLE ASSETS – CONSOLIDATED PRIOR YEAR

	Software Licences	IT - software	EC Carbon Emissions	Websites	Other Intangible	Assets Under Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
As at 1 April 2012	326	3,644	0	0	0	0	3,970
Additions	0	6	0	0	0	0	6
Disposals	0	(84)	0	0	0	0	(84)
At 31 March 2013	326	3,566	0	0	0	0	3,892
Amortisation							
As at 1 April 2012	112	2,053	0	0	0	0	2,165
Provided during the year	65	560	0	0	0	0	625
Disposals	0	(79)	0	0	0	0	(79)
At 31 March 2013	177	2,534	0	0	0	0	2,711
Net Book Value at 1 April 2012	214	1,591	0	0	0	0	1,805
Net Book Value at 31 March 2013 <u>B S</u>	149	1,032	0	0	0	0	1,181

BOARD – PRIOR YEAR

	Software Licences	IT - software	EC Carbon Emissions	Websites	Other Intangible	Assets Under Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
As at 1 April 2012	326	3,644	0	0	0	0	3,970
Additions	0	6	0	0	0	0	6
Disposals	0	(84)	0	0	0	0	(84)
At 31 March 2013	326	3,566	0	0	0	0	3,892
Amortisation							
As at 1 April 2012	112	2,053	0	0	0	0	2,165
Provided during the year	65	560	0	0	0	0	625
Disposals	0	(79)	0	0	0	0	(79)
At 31 March 2013	177	2,534	0	0	0	0	2,711
Net Book Value at 1 April 2012	214	1,591	0	0	0	0	1,805
Net Book Value at 31 March 2013 <u>B S</u>	149	1,032	0	0	0	0	1,181

Highland Health Board

NOTES TO THE ACCOUNTS

11. (a) Property, Plant & Equipment (Purchased Assets) - 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
Cost or valuation									
At 1 April 2013	19,788	256,947	5,632	1,302	45,464	8,988	3,560	15,877	357,558
Additions	0	304	0	0	0	0	0	16,899	17,203
Completions	0	9,571	0	0	3,857	6	351	(13,785)	0
Transfers (to) non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	107	(5,275)	120	0	0	0	0	426	(4,622)
Impairment Charge	(76)	(1,036)	0	0	0	0	0	(3,327)	(4,439)
Disposals	(55)	(145)	0	(250)	(2,101)	(18)	(531)	(253)	(3,353)
At 31 March 2014	19,764	260,366	5,752	1,052	47,220	8,976	3,380	15,837	362,347
Depreciation									
At 1 April 2013	0	10,920	139	1,173	28,358	6,292	2,194	0	49,076
Provided during the year	0	6,879	251	63	4,008	1,082	398	0	12,681
Transfers (to) non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(9,261)	(75)	0	0	0	0	0	(9,336)
Impairment Charge	0	(33)	0	0	0	0	0	0	(33)
Disposals	0	0	0	(250)	(1,920)	(18)	(531)	0	(2,719)
At 31 March 2014	0	8,505	315	986	30,446	7,356	2,061	0	49,669
Net book value at 1 April 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482
Net book value at 31 March 2014	19,764	251,861	5,437	66	16,774	1,620	1,319	15,837	312,678
OMV of Land inc above	282		0						
Asset financing:									
Owned	19,764	218,238	5,437	66	16,774	1,620	1,319	15,837	279,055
Finance leased	0	1,278	0	0	0	0	0	0	1,278
On-balance sheet PFI contracts	0	32,345	0	0	0	0	0	0	32,345
NBV at 31 March 2014	19,764	251,861	5,437	66	16,774	1,620	1,319	15,837	312,678

Highland Health Board

NOTES TO THE ACCOUNTS

11. (a) Property, Plant & Equipment (Purchased Assets) - BOARD

	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 2013	19,788	256,947	5,632	1,302	45,464	8,988	3,560	15,877	357,558
Additions	0	304	0	0	0	0	0	16,899	17,203
Completions	0	9,571	0	0	3,857	6	351	(13,785)	0
Transfers (to) non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	107	(5,275)	120	0	0	0	0	426	(4,622)
Impairment Charge	(76)	(1,036)	0	0	0	0	0	(3,327)	(4,439)
Disposals	(55)	(145)	0	(250)	(2,101)	(18)	(531)	(253)	(3,353)
At 31 March 2014	19,764	260,366	5,752	1,052	47,220	8,976	3,380	15,837	362,347
Depreciation									
At 1 April 2013	0	10,920	139	1,173	28,358	6,292	2,194	0	49,076
Provided during the year	0	6,879	251	63	4,008	1,082	398	0	12,681
Transfers (to) non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(9,261)	(75)	0	0	0	0	0	(9,336)
Impairment Charge	0	(33)	0	0	0	0	0	0	(33)
Disposals	0	0	0	(250)	(1,920)	(18)	(531)	0	(2,719)
At 31 March 2014	0	8,505	315	986	30,446	7,356	2,061	0	49,669
Net book value at 1 April 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482
Net book value at 31 March 2014	19,764	251,861	5,437	66	16,774	1,620	1,319	15,837	312,678
OMV of Land inc above	282		0						
Asset financing:									
Owned	19,764	218,238	5,437	66	16,774	1,620	1,319	15,837	279,055
Finance leased	0	1,278	0	0	0	0	0	0	1,278
On-balance sheet PFI contracts	0	32,345	0	0	0	0	0	0	32,345
NBV at 31 March 2014	19,764	251,861	5,437	66	16,774	1,620	1,319	15,837	312,678

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Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR 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
Cost or valuation									
At 1 April 2012	19,733	265,976	5,840	1,408	45,581	8,067	3,561	8,333	358,499
Additions	0	242	0	0	0	0	0	13,229	13,471
Completions	301	2,080	134	0	2,139	1,023	8	(5,685)	0
Transfers (to) non-current assets held for sale	(26)	(50)	(95)	0	0	0	0	0	(171)
Revaluation	(90)	(8,951)	(247)	0	0	0	0	0	(9,288)
Impairment Charge	(120)	(2,269)	0	0	0	0	0	0	(2,389)
Disposals	(10)	(81)	0	(106)	(2,256)	(102)	(9)	0	(2,564)
At 31 March 2013	19,788	256,947	5,632	1,302	45,464	8,988	3,560	15,877	357,558
Depreciation									
At 1 April 2012	0	10,816	291	1,212	26,489	5,320	1,778	0	45,906
Provided during the year	0	8,483	275	67	3,982	1,074	425	0	14,306
Transfers (to) non-current assets held for sale	0	(6)	0	0	0	0	0	0	(6)
Revaluation	0	(8,105)	(427)	0	0	0	0	0	(8,532)
Impairment Charge	0	(265)	0	0	0	0	0	0	(265)
Disposals	0	(3)	0	(106)	(2,113)	(102)	(9)	0	(2,333)
At 31 March 2013	0	10,920	139	1,173	28,358	6,292	2,194	0	49,076
Net book value at 1 April 2012	19,733	255,160	5,549	196	19,092	2,747	1,783	8,333	312,593
Net book value at 31 March 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482
OMV of Land Inc Above	181		482						
Asset financing:									
Owned	19,788	211,284	5,493	129	17,106	2,696	1,366	15,877	273,739
Finance leased	0	1,376	0	0	0	0	0	0	1,376
On-balance sheet PFI contracts	0	33,367	0	0	0	0	0	0	33,367
NBV at 31 March 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482

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Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

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

	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 2012	19,733	265,976	5,840	1,408	45,581	8,067	3,561	8,333	358,499
Additions	0	242	0	0	0	0	0	13,229	13,471
Completions	301	2,080	134	0	2,139	1,023	8	(5,685)	0
Transfers (to) non-current assets held for sale	(26)	(50)	(95)	0	0	0	0	0	(171)
Revaluation	(90)	(8,951)	(247)	0	0	0	0	0	(9,288)
Impairment Charge	(120)	(2,269)	0	0	0	0	0	0	(2,389)
Disposals	(10)	(81)	0	(106)	(2,256)	(102)	(9)	0	(2,564)
At 31 March 2013	19,788	256,947	5,632	1,302	45,464	8,988	3,560	15,877	357,558
Depreciation									
At 1 April 2012	0	10,816	291	1,212	26,489	5,320	1,778	0	45,906
Provided during the year	0	8,483	275	67	3,982	1,074	425	0	14,306
Transfers (to) non-current assets held for sale	0	(6)	0	0	0	0	0	0	(6)
Revaluation	0	(8,105)	(427)	0	0	0	0	0	(8,532)
Impairment Charge	0	(265)	0	0	0	0	0	0	(265)
Disposals	0	(3)	0	(106)	(2,113)	(102)	(9)	0	(2,333)
At 31 March 2013	0	10,920	139	1,173	28,358	6,292	2,194	0	49,076
Net book value at 1 April 2012	19,733	255,160	5,549	196	19,092	2,747	1,783	8,333	312,593
Net book value at 31 March 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482
OMV of Land Inc Above	181		482						
Asset financing:									
Owned	19,788	211,284	5,493	129	17,106	2,696	1,366	15,877	273,739
Finance leased	0	1,376	0	0	0	0	0	0	1,376
On-balance sheet PFI contracts	0	33,367	0	0	0	0	0	0	33,367
NBV at 31 March 2013	19,788	246,027	5,493	129	17,106	2,696	1,366	15,877	308,482

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Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

11. (b) Property, Plant & Equipment (Donated Assets) - CONSOLIDATED

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets under construction	Total £'000
Cost or valuation									
At 1 April 2013	45	2,372	202	0	1,308	43	2	0	3,972
Additions	0	0	0	0	43	7	0	0	50
Revaluation	0	52	6	0	0	0	0	0	58
Disposals	0	0	0	0	(56)	(5)	0	0	(61)
At 31 March 2014	45	2,424	208	0	1,295	45	2	0	4,019
Depreciation									
At 1 April 2013	0	28	0	0	963	23	2	0	1,016
Provided during the year	0	51	4	0	88	6	0	0	149
Revaluation	0	(28)	0	0	0	0	0	0	(28)
Disposals	0	0	0	0	(56)	(2)	0	0	(58)
At 31 March 2014	0	51	4	0	995	27	2	0	1,079
Net book value at 1 April 2013	45	2,344	202	0	345	20	0	0	2,956
Net book value at 31 March 2014	45	2,373	204	0	300	18	0	0	2,940
OMV of Land Inc Above	0		0						
Asset financing:									
Owned	45	2,373	204	0	300	18	0	0	2,940
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
NBV at 31 March 2014	45	2,373	204	0	300	18	0	0	2,940

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Highland Health Board

NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

11. (b) Property, Plant & Equipment (Donated Assets) - BOARD

	Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets under construction	Total £'000
Cost or valuation									
At 1 April 2013	45	2,372	202	0	1,308	43	2	0	3,972
Additions	0	0	0	0	43	7	0	0	50
Revaluation	0	52	6	0	0	0	0	0	58
Disposals	0	0	0	0	(56)	(5)	0	0	(61)
At 31 March 2014	45	2,424	208	0	1,295	45	2	0	4,019
Depreciation									
At 1 April 2013	0	28	0	0	963	23	2	0	1,016
Provided during the year	0	51	4	0	88	6	0	0	149
Revaluation	0	(28)	0	0	0	0	0	0	(28)
Disposals	0	0	0	0	(56)	(2)	0	0	(58)
At 31 March 2014	0	51	4	0	995	27	2	0	1,079
Net book value at 1 April 2013	45	2,344	202	0	345	20	0	0	2,956
Net book value at 31 March 2014	45	2,373	204	0	300	18	0	0	2,940
OMV of Land Inc Above	0		0						
Asset financing:									
Owned	45	2,373	204	0	300	18	0	0	2,940
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
NBV at 31 March 2014	45	2,373	204	0	300	18	0	0	2,940

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Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR CONSOLIDATED

	Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets under construction	Total £'000
Cost or valuation									
At 1 April 2012	45	2,306	196	21	1,564	26	2	0	4,160
Additions	0	0	0	0	87	17	0	0	104
Revaluation	0	66	6	0	0	0	0	0	72
Disposals	0	0	0	(21)	(343)	0	0	0	(364)
At 31 March 2013	45	2,372	202	0	1,308	43	2	0	3,972
Depreciation									
At 1 April 2012	0	68	5	21	1,208	17	2	0	1,321
Provided during the year	0	63	5	0	91	6	0	0	165
Revaluation	0	(103)	(10)	0	0	0	0	0	(113)
Disposals	0	0	0	(21)	(336)	0	0	0	(357)
At 31 March 2013	0	28	0	0	963	23	2	0	1,016
Net book value at 1 April 2012	45	2,238	191	0	356	9	0	0	2,839
Net book value at 31 March 2013	45	2,344	202	0	345	20	0	0	2,956
Open Market Value of Land in Land and Dwellings Included Above	0	0	0						
Asset financing:									
Owned	45	2,344	202	0	345	20	0		2,956
Finance leased	0	0	0	0	0	0	0		0
On-balance sheet PFI contracts	0	0	0	0	0	0	0		0
Net Book Value at 31 March 2013	45	2,344	202	0	345	20	0		2,956

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NOTES TO THE ACCOUNTS
for the year ended 31 March 2013

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR BOARD

	Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets under construction	Total £'000
Cost or valuation									
At 1 April 2012	45	2,306	196	21	1,564	26	2		4,160
Additions	0	0	0	0	87	17	0		104
Revaluation	0	66	6	0	0	0	0		72
Disposals	0	0	0	(21)	(343)	0	0		(364)
At 31 March 2013	45	2,372	202	0	1,308	43	2		3,972
Depreciation									
At 1 April 2012	0	68	5	21	1,208	17	2		1,321
Provided during the year	0	63	5	0	91	6	0		165
Revaluation	0	(103)	(10)	0	0	0	0		(113)
Disposals	0	0	0	(21)	(336)	0	0		(357)
At 31 March 2013	0	28	0	0	963	23	2		1,016
Net book value at 1 April 2012	45	2,238	191	0	356	9	0		2,839
Net book value at 31 March 2013 B S	45	2,344	202	0	345	20	0		2,956
Open Market Value of Land in Land and Dwellings Included Above	0		0						
Asset financing:									
Owned	45	2,344	202	0	345	20	0		2,956
Finance leased	0	0	0	0	0	0	0		0
On-balance sheet PFI contracts	0	0	0	0	0	0	0		0
Net Book Value at 31 March 2013	45	2,344	202	0	345	20	0		2,956

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NOTES TO THE ACCOUNTS

for the year ended 31 March 2014

11. (c) ASSETS HELD FOR SALE

ASSETS HELD FOR SALE - CONSOLIDATED

		Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2013		273	0	273
Transfers from property, plant and equipment	<u>11a</u>	0	0	0
Gain or losses recognised on remeasurement of non-current assets held for sale				
Disposals for non-current assets held for sale		(221)	0	(221)
As at 31 March 2014	<u>BS</u>	<u>52</u>	<u>0</u>	<u>52</u>

ASSETS HELD FOR SALE - BOARD

		Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2013		273	0	273
Transfers from property, plant and equipment	<u>11a</u>	0	0	0
Gain or losses recognised on remeasurement of non-current assets held for sale				
Disposals for non-current assets held for sale		(221)	0	(221)
As at 31 March 2014	<u>BS</u>	<u>52</u>	<u>0</u>	<u>52</u>

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

		Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2012		120	0	120
Transfers from property, plant and equipment	<u>11a</u>	165	0	165
Gain or losses recognised on remeasurement of non-current assets held for sale		(2)	0	(2)
Disposals for non-current assets held for sale		(10)	0	(10)
As at 31 March 2013	<u>BS</u>	<u>273</u>	<u>0</u>	<u>273</u>

ASSETS HELD FOR SALE (PRIOR YEAR) - BOARD

		Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2012		120	0	120
Transfers from property, plant and equipment	<u>11a</u>	165	0	165
Gain or losses recognised on remeasurement of non-current assets held for sale		(2)	0	(2)
Disposals for non-current assets held for sale		(10)	0	(10)
As at 31 March 2013	<u>BS</u>	<u>273</u>	<u>0</u>	<u>273</u>

Highland Health Board

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2013 £'000	Board 2013 £'000			Board 2014	Consolidated 2014 £'000
		Net book value of property, plant and equipment at 31 March			
308,482	308,482	Purchased	11a	312,678	312,678
2,956	2,956	Donated	11b	2,940	2,940
311,438	311,438	Total	B S	315,618	315,618
181	181	Net book value related to land valued at open market value at 31 March		272	272
482	482	Net book value related to buildings valued at open market value at 31 March		257	257
		Total value of assets held under:			
1,376	1,376	Finance Leases		1,278	1,278
33,367	33,367	PFI and PPP Contracts		32,345	32,345
34,743	34,743			33,623	33,623
		Total depreciation charged in respect of assets held under:			
69	69	Finance leases		99	99
985	985	PFI and PPP contracts		990	990
1,054	1,054			1,089	1,089

All DRC Buildings were revalued by Barr & Burnett's on 1st April 2013 following adoption by NHS Highland of IAS16 Phase 2 Asset Lives. On 31st March 2014 the annual 20% sample valuation was also completed. Indices of 3% were applied to DRC Buildings not included in the 20% valuation. Indices were set at zero for Land and EUV/MV properties.

The net impact was an increase in value of £3,178K for Purchased assets and £86K for Donated assets; this has been credited to the Revaluation Reserve. Impairment of £1,030K was successfully applied for to cover downward valuation of properties with insufficient revaluation reserve.

12. INVENTORIES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Consolidated 2014 £'000	Board 2014 £'000
5,279	5,279	5,604	5,604	Raw Materials and Consumables	5,413	5,413
5,279	5,279	5,604	5,604	Total Inventories	B S 5,413	5,413

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13. TRADE AND OTHER RECEIVABLES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
0	0	0	0	Receivables due within one year NHSScotland			
2,859	2,859	3,826	3,826	SGHSCD		93	93
2,859	2,859	3,826	3,826	Boards	SFR 30	2,239	2,239
275	275	366	366	Total NHSScotland Receivables		2,332	2,332
20	20	0	0	NHS Non-Scottish Bodies		641	641
822	822	641	641	General Fund Receivable		0	0
3,561	3,561	6,618	6,618	VAT recoverable	SFR 30.1	382	382
2,822	2,822	2,287	2,287	Prepayments		6,505	6,505
1,613	1,580	1,550	1,719	Accrued income		3,815	3,815
1,488	1,488	8,435	8,435	Other Receivables		642	842
560	560	4,162	4,162	Reimbursement of provisions		11,552	11,552
14,020	13,987	27,885	28,054	Other Public Sector Bodies		24,238	24,238
				Total Receivables due within one year	B S	50,107	50,307
1,887	1,887	1,814	1,814	Receivables due after more than one year NHSScotland			
6,226	6,226	5,926	5,926	Prepayments		1,742	1,742
11	11	12	12	Accrued income		2,672	2,672
4,956	4,956	378	378	Other Receivables		13	13
13,080	13,080	8,130	8,130	Reimbursement of Provisions		4,129	4,129
				Total Receivables due after more than one year	B S	8,556	8,556
27,100	27,067	36,015	36,184	TOTAL RECEIVABLES		58,663	58,863
276	276	399	399	The total receivables figure above includes a provision for impairments of :		346	346
2,859	2,859	3,826	3,826	WGA Classification			
824	824	641	641	NHS Scotland		2,239	2,239
559	559	4,162	4,162	Central Government bodies	SFR 30.1	703	703
275	275	366	366	Whole of Government bodies	SFR 30.2	24,010	24,010
22,583	22,550	27,020	27,189	Balances with NHS Bodies in England & Wales		641	641
27,100	27,067	36,015	36,184	Balances with bodies external to Government		31,070	31,270
				Total		58,663	58,863

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2013 £'000	2013 £'000		2014 £'000	2014 £'000
		Movements on the provision for impairment of receivables are as follows:		
276	276	At 1 April	399	399
174	174	Provision for impairment	76	76
(42)	(42)	Receivables written off during the year as uncollectible	(9)	(9)
(9)	(9)	Unused amounts reversed	(120)	(120)
399	399	At 31 March	346	346

As of 31 March 2014, receivables with a carrying value of £346,000 (2013: £399,000) were impaired and provided for. The amount of the provision was £346,000 (2013: £399,000).

2013 £'000	2013 £'000		2014 £'000	2014 £'000
		The aging of these receivables is as follows:		
0	0	3 to 6 months past due	0	0
399	399	Over 6 months past due	346	346
399	399		346	346

The receivables assessed as individually impaired were mainly English, Welsh and Irish NHS Trusts/Health Authorities, other Health Bodies, overseas patients, research companies and private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2014, receivables with a carrying value of £1,096,000 (2013: £864,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2013 £'000	2013 £'000		2014 £'000	2014 £'000
182	182	Up to 3 months past due	347	347
191	191	3 to 6 months past due	489	489
491	491	Over 6 months past due	260	260
864	864		1,096	1,096

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

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

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

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

2013	2013		2014	2014
£'000	£'000		£'000	£'000
36,015	36,184	The carrying amount of receivables are denominated in the following currencies:	58,663	58,863
0	0	Pounds	0	0
		Euros	0	0
		U S Dollars	0	0
36,015	36,184		58,663	58,863

All non-current receivables are due within eleven years (2012-13: twelve 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 £58,663 (2012-13:£36,015)

The effective interest rate on non-current other receivables is 2.2% (2012-2013:2.2%). Pension liabilities are discounted at 1.8% (2012-13:2.35%)

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14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated	Board	Consolidated	Board		Consolidated	Board
2012	2012	2013	2013		2014	2014
£'000	£'000	£'000	£'000		£'000	£'000
759	0	594	0	Government securities	556	0
6,633	0	7,388	127	Other	7,567	127
7,382	0	7,982	127	TOTAL	8,123	127
					<u>BS</u>	
7,944	0	7,392	0	At 1 April	7,982	127
268	0	208	127	Additions	890	0
(1,074)	0	(611)	0	Disposals	(851)	0
254	0	993	0	Revaluation surplus transferred to equity	102	0
7,392	0	7,982	127	At 31 March	8,123	127
0	0	0	0	Current	0	0
7,392	0	7,982	127	Non-current	8,123	127
7,392	0	7,982	127	At 31 March	8,123	127
					<u>BS</u>	

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NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

15. CASH AND CASH EQUIVALENTS

	Note	At 01/04/13 £'000	Cash Flow £'000	At 31/03/14 £'000
Government Banking Service account balance		56	7	63
Cash at bank and in hand		54	38	92
Endowment Cash		833	135	968
Total cash and cash equivalents - balance sheet	<u>BS</u>	943	180	1,123
Overdrafts	<u>16</u>	0	0	0
Total cash - cash flow statement		943	180	1,123
		<u>CFS</u>		<u>CFS</u>
Prior Year 2012-13		At 01/04/12 £'000	Cash Flow £'000	At 31/03/13 £'000
Government Banking Service account balance		47	9	56
Cash at bank and in hand		40	14	54
Endowment Cash		601	232	833
Total cash and cash equivalents - balance sheet	<u>BS</u>	688	255	943
Overdrafts	<u>16</u>	(107)	107	0
Total cash - cash flow statement		581	362	943
		<u>CFS</u>		<u>CFS</u>

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

Highland Health Board

NOTES TO THE ACCOUNTS for the year ended 31 March 2014

16. TRADE AND OTHER PAYABLES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
5,620	5,620	7,680	7,680	Payables due within one year NHSScotland			
5,620	5,620	7,680	7,680	Boards	<u>SFR 30</u>	10,265	10,265
				Total NHSScotland Payables		10,265	10,265
209	209	506	506	NHS Non-Scottish Bodies		1,018	1,018
0	0	110	110	Amounts payable to General Fund		155	155
10,712	10,712	11,604	11,604	FHS Practitioners		11,414	11,414
2,173	2,173	8,580	8,580	Trade Payables		5,014	5,014
17,967	17,264	18,305	18,303	Accruals		15,411	15,387
225	225	502	502	Deferred income		415	415
490	490	132	132	Payments received on account		140	140
97	97	51	51	Net obligations under Finance Leases	<u>22</u>	51	51
983	983	1,062	1,062	Net obligations under PPP/PFI Contracts	<u>23</u>	1,151	1,151
107	107	0	0	Bank overdrafts	<u>15</u>	0	0
5,897	5,897	6,182	6,182	Income tax and social security	<u>SFR 30.1</u>	6,062	6,062
3,478	3,478	3,604	3,604	Superannuation		4,165	4,165
862	862	1,985	1,985	Holiday Pay Accrual		928	928
6	6	5	5	Construction Industry Tax	<u>SFR 30.1</u>	4	4
604	604	5,378	5,378	Other Public Sector Bodies		2,936	2,936
894	894	1,449	1,449	Other payables		1,269	1,269
0	0	109	109	Other significant Payables Ees pension contribution to Local Gvt Pension Scheme		102	102
0	0	326	326	Other significant Payables Ers pension contribution to Local Gvt Pension Scheme		304	304
50,324	49,621	67,570	67,568	Total Payables due within one year	<u>BS</u>	60,804	60,780

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Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
0	0	57	57	Payables due after more than one year - NHSScotland			
176	176	226	226	Net obligations under Finance Leases due within 2 years	<u>22</u>	80	80
1,641	1,641	2,066	2,066	Net obligations under Finance Leases due after 2 years but within 5 years	<u>22</u>	366	366
1,062	1,062	1,151	1,151	Net obligations under Finance Leases due after 5 years	<u>22</u>	1,863	1,863
3,757	3,757	4,083	4,083	Net obligations under PPP/PFI Contracts due within 2 years	<u>23</u>	1,249	1,249
30,428	30,428	28,951	28,951	Net obligations under PPP/PFI Contracts after 2 years but within 5 years	<u>23</u>	4,446	4,446
0	0	0	0	Net obligations under PPP/PFI Contracts due after 5 years	<u>23</u>	27,339	27,339
37,064	37,064	36,534	36,534	Accruals		1,733	1,733
				Total Payables due after more than one year	<u>BS</u>	37,076	37,076
87,388	86,685	104,104	104,102	TOTAL PAYABLES		97,880	97,856
				WGA Classification			
5,620	5,620	7,680	7,680	NHS Scotland		10,265	10,265
5,903	5,903	6,187	6,187	Central Government Bodies	<u>SFR 30.1</u>	6,066	6,066
604	604	5,379	5,379	Whole of Government Bodies	<u>SFR 30.2</u>	2,936	2,936
209	209	506	506	Balances with NHS Bodies in England and Wales		1,018	1,018
75,052	74,349	84,352	84,350	Balances with bodies external to Government		77,595	77,571
87,388	86,685	104,104	104,102	Total		97,880	97,856
		£'000	£'000	Borrowings included above comprise:		£'000	£'000
		2,400	2,400	Finance Leases		2,360	2,360
		35,247	35,247	PFI Contracts		34,185	34,185
		37,647	37,647			36,545	36,545
		£'000	£'000	The carrying amount and fair value of the non-current borrowings are as follows:		£'000	£'000
		2,349	2,349	Carrying amount		2,309	2,309
		34,185	34,185	Finance Leases		33,034	33,034
		36,534	36,534	PFI Contracts		35,343	35,343

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2013 Fair Value £'000	2013 Fair Value £'000		2014 Fair Value £'000	2014 Fair Value £'000
2,349	2,349	Finance Leases	2,309	2,309
34,185	34,185	PFI Contracts	33,034	33,034
36,534	36,534		35,343	35,343

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

Fair value

Finance Leases

PFI Contracts

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

2013 £'000	2013 £'000		2014	2014
104,104	104,102	Pounds	97,880	97,856
104,104	104,102		97,880	97,856

The carrying amount of payables are denominated in the following currencies:

Pounds

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17. PROVISIONS – CONSOLIDATED AND BOARD

	Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	2014 Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	6,469	8,762	0	1,206	16,437
Arising during the year	818	9,227	0	503	10,548
Utilised during the year	(567)	(181)	0	(126)	(874)
Unwinding of discount	268	0	0	0	268
Reversed unutilised	(48)	(2,109)	0	(1,131)	(3,288)
At 31 March 2014	6,940	15,699	0	452	23,091

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

Analysis of expected timing of discounted flows to 31 March 2014

		Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	2014 Total
		£'000	£'000	£'000	£'000	£'000
Payable in one year	<u>BS</u>	708	11,294	0	403	12,405
Payable between 2-5 years		1,916	4,405	0	49	6,370
Payable between 6-10 years		2,100	0	0	0	2,100
Thereafter	<u>BS</u>	2,216	0	0	0	2,216
Total as at 31 March 2014		6,940	15,699	0	452	23,091

17. PROVISIONS – CONSOLIDATED AND BOARD – (PRIOR YEAR)

	Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	2013 Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	5,763	5,807	0	389	11,959
Arising during the year	1,018	4,498	0	1,052	6,568
Utilised during the year	(558)	(1,301)	0	(189)	(2,048)
Unwinding of discount	246	0	0	0	246
Reversed unutilised	0	(242)	0	(46)	(288)
At 31 March 2013	6,469	8,762	0	1,206	16,437

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

Analysis of expected timing of discounted flows – to March 2013

		Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	Total
		£'000	£'000	£'000	£'000	£'000
Payable in one year	<u>BS</u>	693	8,584	0	916	10,193
Payable between 2-5 years		2,120	178	0	290	2,588
Payable between 6-10 years		1,900	0	0	0	1,900
Thereafter	<u>BS</u>	1,756	0	0	0	1,756
At 31 March 2013		6,469	8,762	0	1,206	16,437

Analysis of expected timing of discounted flows – to March 2012

		Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	Total
		£'000	£'000	£'000	£'000	£'000
Payable in one year	<u>BS</u>	1,028	855	0	83	1,966
Payable between 2-5 years		4,735	4,952	0	306	9,993
Payable between 6-10 years		0	0	0	0	0
Thereafter	<u>BS</u>	0	0	0	0	0
At 31 March 2012		5,763	5,807	0	389	11,959

		Pensions & similar obligations	Clinical & Medical	EC Carbon Emissions	Other	Total
		£'000	£'000	£'000	£'000	£'000
Current	<u>BS</u>	1,028	855	0	83	1,966
Non-current	<u>BS</u>	4,735	4,952	0	306	9,993
At 31 March 2012		5,763	5,807	0	389	11,959

Highland Health Board

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 25 years.

Clinical & Medical

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

Other

The Board has provided for Employers and Third Party claims by reviewing all outstanding and potential claims which the Board may be liable for. The Board has provided 100% for claims assessed as Category 3, 50% of all claims assessed as Category 2. The balance of Category 2 and all of Category 1 being disclosed as Contingent Liabilities in Note 19. The provision is based on an estimate of the possible cost together with adverse legal costs and is estimated settlement may take up to 3 years.

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NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

18. MOVEMENT ON WORKING CAPITAL BALANCES

2013 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2014 Net Movement £'000
	INVENTORIES				
(325)	Balance Sheet	<u>12</u>	5,604	5,413	
<u>(325)</u>	Net Decrease (Increase)				<u>191</u>
	TRADE AND OTHER RECEIVABLES				
(14,067)	Due within one year	<u>13</u>	28,054	50,307	
4,950	Due after more than one year	<u>13</u>	8,130	8,556	
			36,184	58,863	
0	Less: Property, Plant & Equipment (Capital) included in above		0	0	
(20)	Less: General Fund Debtor included in above		0	0	
			36,184	58,863	
<u>(9,137)</u>	Net (Increase)				<u>(22,679)</u>
	TRADE AND OTHER PAYABLES				
17,947	Due within one year	<u>16</u>	67,568	60,780	
(530)	Due after more than one year	<u>16</u>	36,534	37,076	
549	Less: Property, Plant & Equipment (Capital) included in above		(467)	(174)	
107	Less: Bank Overdraft	<u>16</u>	0	0	
(110)	Less: General Fund Creditor included in above		(110)	(155)	
497	Less: Lease and PFI Creditors included in above	<u>16</u>	(37,647)	(36,545)	
			65,878	60,982	
<u>18,460</u>	Net (Decrease)/ Increase				<u>(4,896)</u>
	PROVISIONS				
4,478	Balance Sheet	<u>17</u>	16,437	23,091	
<u>4,478</u>	Net Increase				<u>6,654</u>
<u>13,476</u>	NET MOVEMENT (Decrease) / Increase	<u>CFS</u>			<u>(20,730)</u>

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NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

19. CONTINGENT LIABILITIES

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

2013 £'000	Nature	2014 £'000
3,852	Clinical and medical compensation payments	2,819
639	Employer's liability	347
25	Third party liability	9
4,516	TOTAL CONTINGENT LIABILITIES	3,175

The Board has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37, since the possibility of a transfer of economic benefits in settlement is too remote.

Equal Pay

NHS Highland currently has 165 claims that have been lodged with the Employment Tribunal under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. In the past year 137 claims have been withdrawn by claimants.

The basis of claims is as follows:

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

The current position and recent developments are summarised below.

Comparator Information

Work is ongoing to ensure that there is consistency in relation to the data that is held on the CLO data, and that held by the claimants' representatives, and the Employment Tribunal. Until this exercise is concluded it is not possible to accurately advise of the number of live claims.

Period of Claim

The period over which back pay for any established breach would have to be calculated is the period between dissolution of their employing Trust and 30 September 2004. For NHS Highland this means that the period of the claim is limited to 6 months.

Summary

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

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2013 £'000	CONTINGENT ASSETS	2014 £'000
3,374	Clinical and medical compensation payments	2,236
328	Employer's liability	188
<u>3,702</u>		<u>2,424</u>

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the end of reporting period to disclose.

21. COMMITMENTS

2013	Capital Commitments	2014
		Property, plant and equipment
	The Board has the following Capital Commitments which have not been included for in the accounts	
£'000		£'000
	Contracted	
6,409	Mid Argyll PFI Lifecycle costs	6,347
5,544	Easter Ross PFI Lifecycle costs	5,259
4,210	Tain Health Centre HUB	170
1,216	Raigmore Biomass Boiler	0
1,959	Other Boiler Replacements	0
3,550	Raigmore Endoscopy	0
1,679	Oban Dental Facility	0
0	Estates Backlog Projects	1,010
<u>24,567</u>	Total	<u>12,786</u>
	Authorised but not Contracted	
5,105	Various Others	11,700
<u>5,105</u>	Total	<u>11,700</u>

NHS Highland completed the financial close on the project agreement with HUB north of Scotland Ltd for the joint delivery, with NHS Grampian, of a bundled scheme including Tain Health Centre, Forres Health and Care Centre and Woodside Fountain Health Centre. Under the terms of these agreements NHS Highland have a legal commitment to occupy the Tain HC for a period of 25 years from completion, which had a formal hand over date of 23rd May 2014. From the actual date of occupation, NHS Highland will incur charges to occupy and for maintenance of the building estimated at £0.5million per annum.

Highland Health Board

NOTES TO THE ACCOUNTS
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22. COMMITMENTS UNDER LEASES

2013	Operating Leases	2014
£'000	Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods.	£'000
	Buildings	
1,872	Not later than one year	1,872
1,872	Later than one year, not later than 2 years	1,872
5,352	Later than two years, not later than five years	4,971
17,256	Later than five years	15,766
	Other	
2,990	Not later than one year	2,800
2,226	Later than one year, not later than two years	2,164
4,265	Later than two years, not later than five years	2,875
0	Later than five years	
	Amounts charged to Operating Costs in the year were:	
3,720	Hire of equipment (including vehicles)	3,848
3,333	Other operating leases	2,866
7,053	Total	6,714
2013	Finance Leases	2014
£'000	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.	£'000
	Obligations under Finance leases comprise:	
	Buildings	
258	Rentals due within one year	<u>16</u> 252
259	Rentals due between one and two years (inclusive)	<u>16</u> 275
786	Rentals due between two and five years (inclusive)	<u>16</u> 899
2,881	Rentals due after five years	<u>16</u> 2,511
4,184		3,937
(1,784)	Less interest element	(1,577)
2,400		2,360
	Other	
0	Rentals due within one year	<u>16</u> 0
0	Rentals due between one and two years (inclusive)	<u>16</u> 0
0	Rentals due between two and five years (inclusive)	<u>16</u> 0
0	Rentals due after five years	<u>16</u> 0
0		0
	Less interest element	0
0		0
	This total net obligation under finance leases is analysed in Note 16 (Trade and Other Payables)	
	Aggregate Rentals Receivable in the year	
399	Total of finance & operating leases	299

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NOTES TO THE ACCOUNTS for the year ended 31 March 2014

23. COMMITMENTS UNDER PFI CONTRACTS

ON BALANCE SHEET

New Craig's Start Date July 2000 ending June 2025. The scheme is a replacement for the Craig Dunain Hospital, Inverness and provides In Patients facilities for adults with Mental Health needs or Learning Disabilities. There is a twenty five year contract with an original estimated capital value of £14.4 million

Easter Ross Start Date February 2005 ending January 2030. This scheme is a redevelopment of County Hospital, Invergordon into a Primary Care Centre and combines a community hospital and a health centre, integrating primary and community care into one community health resource. There is a twenty five year contract with an original estimated capital value of £8.8 million and the PFI property will revert to the Board at the end of the contract.

Mid Argyll Community Hospital and Integrated Care Centre Lochgilphead. We financed the development of the Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The period of the contract runs from June 2006 to May 2036 at which point the ownership of the asset will transfer to the Board. The original estimated capital value of the project is £19.2 million.

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:

Total obligations under on-balance sheet PFI/PPP contracts for the following periods comprises:

2012 £'000	2013 £'000	Gross Minimum Lease Payments	New Craig's £'000	Easter Ross £'000	Mid Argyll £'000	2014 Total £'000
3,772	3,772	Rentals due within 1 year	1,922	622	1,229	3,773
3,772	3,773	Due within 1 to 2 years	1,922	621	1,229	3,772
11,317	11,317	Due within 2 to 5 years	5,767	1,864	3,686	11,317
47,991	44,017	Due after 5 years	12,312	6,754	21,178	40,244
<u>66,852</u>	<u>62,879</u>	Total	<u>21,923</u>	<u>9,861</u>	<u>27,322</u>	<u>59,106</u>
		Less Interest Element				
(2,789)	(2,710)	Rentals due within 1 year	(1,489)	(332)	(801)	(2,622)
(2,710)	(2,622)	Due within 1 to 2 years	(1,426)	(317)	(780)	(2,523)
(7,560)	(7,234)	Due within 2 to 5 years	(3,806)	(859)	(2,206)	(6,871)
<u>(17,563)</u>	<u>(15,066)</u>	Due after 5 years	<u>(4,239)</u>	<u>(1,618)</u>	<u>(7,048)</u>	<u>(12,905)</u>
<u>(30,622)</u>	<u>(27,632)</u>	Total	<u>(10,960)</u>	<u>(3,126)</u>	<u>(10,835)</u>	<u>(24,921)</u>
		Present value of minimum lease payments				
983	1,062	Rentals due within 1 year	433	290	428	1,151
1,062	1,151	Due within 1 to 2 years	496	304	449	1,249
3,757	4,083	Due within 2 to 5 years	1,961	1,005	1,480	4,446
30,428	28,951	Due after 5 years	8,073	5,136	14,130	27,339
<u>36,230</u>	<u>35,247</u>	Total	<u>10,963</u>	<u>6,735</u>	<u>16,487</u>	<u>34,185</u>

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Amounts charged to the Statement of comprehensive net expenditure in respect of on balance sheet PFI transactions comprises;

2012	2013		2014
£'000	£'000		£'000
3,547	3,789	Service charges	3,951
2,862	2,790	Interest charges	2,710
6,409	6,579	Total	6,661

24. PENSION COSTS

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

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

For the current year, normal employer contributions of £33,590,000 were payable to the SPPA (prior year £29,162,000) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS Board incurred additional costs of £0 (prior year £0) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be made by future contributions from employing authorities.

Provisions amounting to £1,870,053 are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 13.3% of pensionable earnings. Pensions are increased in line with Consumer Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than 2 years service. Where service exceeds 5 years, the pension is calculated using specially enhanced service, with a maximum enhancement of 10 years.

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on the full pension and lump sum which they have earned.

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New 2008 arrangements:

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

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

	2014	2013
	£'000	£'000
Pension cost charge for the year	33,590	29,162
Pension cost in year of staff transferred from Highland Council	5,767	5,481
Provisions/Liabilities/Pre-payments included in the Balance Sheet	1,870	1,497

The NHS scheme is an unfunded multi employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the Highland Health Board is unable to identify its share of the underlying assets and liabilities of the scheme. An actuarial assessment was carried out at 31st March 2008. The results of this assessment were rolled forward to give a liability of £29.1 billion at 31st March 2013. NHS Highland equates to 5.64% of the total for Scotland.

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

NHS Highland has no liability for other employers' obligations to the multi-employer scheme.

PENSION COSTS FOR STAFF TRANSFERRED FROM HIGHLAND COUNCIL

As part of the terms and conditions of employment for the staff transferred from Highland Council, the Board participates in the Local Government Pension Scheme administered by Highland Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Fund is constituted under legislation governing the Local Government Superannuation Scheme – details are contained in the 2010 regulations. The Highland Council is required to publish the Pension Fund annual report which is available at www.highland.gov.uk or from Highland Council, Glenurquhart Road, Inverness.

NHS Highland recognises the costs of these retirement benefits in the Statement of Net Comprehensive expenditure when they are earned by these employees, rather than when the benefits are eventually paid as pensions.

Highland Council recognises the liability of the Pension Fund at 31/03/2012 attributable to these NHS Highland staff in the Highland Council accounts. NHS Highland recognises the deficit in the Fund for the year from 1 April 2013 to 31 March 2014 of £3.606m (31 March 2013 of £1.287m), given a total of £4.893m. This is included in two parts in NHS Highland's accounts:-

- a) £3.160m of realised deficit in SOCNE which has been covered by funding from Scottish Government and
- b) £1.733m of unrealised deficit due to actuarial assumptions which is recorded as other Comprehensive Net Expenditure and offset against Reserves in the Balance Sheet.

The deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme's actuary. NHS Highland represents 4.8% of the scheme participants.

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	2014	Restated
	£000	2013
		£000
The charge to the Statement of Comprehensive Net Expenditure consists of:		
Current Service cost	5,483	5,741
Interest Cost	486	39
Return in the Fund Assets	(391)	(126)
Financial Assumptions Loss/(Gain)	<u>1,906</u>	<u>(173)</u>
Charge to statement of comprehensive net expenditure	<u>7,484</u>	<u>5,481</u>
The current assets and liabilities are made up of :-		
Present Value of the Scheme Liabilities		
Opening defined benefit obligation	7,559	0
Current Service Cost	5,483	5,741
Interest Cost	486	39
Change in financial assumptions	2,114	73
Estimated benefits paid	(683)	310
Contributions by scheme participants	<u>1,292</u>	<u>1,396</u>
Closing Value	<u>16,251</u>	<u>7,559</u>
Fair Value of the Scheme Assets		
Opening Fair Value of scheme assets		0
Expected return on scheme assets	6,272	0
Interest Income	208	246
Contributions by employer	391	126
Contributions by Scheme participants	3,878	4,194
Estimated benefits paid (net of transfers in)	1,292	1,396
	<u>(683)</u>	<u>310</u>
Closing value	<u>11,358</u>	<u>6,272</u>

The expected return on fund assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The total contributions expected to be made to the Highland Council Pension Scheme by NHS Highland in the year to 31 March 2015 is £3.673m.

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Basis for estimating assets and liabilities of the Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal actuarial assumptions adopted as at 31 March 2014 are as follows:

	<u>2014</u>	<u>2013</u>
(a) Long term expected rate of return on assets in the scheme	6.1% pa	6.1% pa
 (b) Life expectancy from age 65 (years)		
Retiring today		
Males	21.3	21.3
Females	23.6	23.6
Retiring in 20 years		
Males	22.6	22.6
Females	25.1	25.1
 (c) Financial assumptions		
RPI increases	3.6%	3.4%
CPI increases	2.8%	2.6%
Rate of increase in salaries	5.2%	4.8%
Rate of increase in pensions	2.9%	2.6%
Rate of discounting scheme liabilities	4.3%	4.6%
Take up of option to convert annual pension into retirement lump sum	50%	50%
 (d) The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held		
Securities	47%	47%
Debt Securities	19%	20%
Private Equity	2%	1%
Real Estate	8%	8%
Investment Funds & Unit Trusts	22%	22%
Cash	2%	2%
Total	100%	100%

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25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Prior year adjustments which have been recognised in these Accounts are:

		Dr £'000	Cr £'000
Adjustment 1	Take on March 2012 Endowments Balance Sheet		
	Investments	7,392	
	Investment Cash	169	
	Debtors	33	
	Cash	432	
	Creditors		703
	Funds		7,323
Adjustment 2	In Year 12/13 Endowment OCS Transactions		
	Income		1,641
	Expenditure	1,447	
	Realised Gains		7
	Net Movement	201	
Adjustment 3	In Year 12/13 Endowment Balance Sheet Movement		
	Investments	463	
	Investment Cash	39	
	Debtors		14
	Cash	193	
	Creditors	513	
	Funds		201
	Unrealised Gains		993
Adjustment 4	Reverse Endowments In Year Trading Balances		
	Board Income	128	
	Endowment Expenditure		128
	Endowment Creditors	188	
	Board Debtors		188

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

26a. RESTATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Clinical Services Costs							
Hospital and Community	597,869						597,869
Less: Hospital and Community Income	133,921						133,921
	463,948						463,948
Family Health Services	157,646						157,646
Less: Family Health Services Income	3,594						3,594
	154,052						154,052
Total Clinical Services Costs	618,000						618,000
Administration Costs	5,445						5,445
Less: Administration Income	13						13
	5,432						5,432
Other Non Clinical Services	14,067		1,447		(128)		15,386
Less: Other Operating Income	16,248		1,648		(128)		17,768
	(2,181)	0	(201)	0	0	0	(2,382)
Net Operating Costs	621,251	0	(201)	0	0	0	621,050

26b. RESTATED BALANCE SHEET

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Non-current Assets							
Property, plant and equipment	311,438						311,438
Intangible assets	1,181						1,181
Financial Assets:							
Available for sale financial assets	127	7,392		463			7,982
Trade and other receivables	8,130						8,130
	320,876	7,392	0	463	0	0	328,731
CURRENT ASSETS							
Inventories	5,604						5,604
Financial assets:							

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Trade and other receivables	28,054	33		(14)	(188)		27,885
Cash and cash equivalents	110	601		232			943
Available for sale financial assets							
Derivatives financial assets							
Assets classified as held for sale	273						273
	34,041	634	0	218	(188)	0	34,705
TOTAL ASSETS	354,917	8,026	0	681	(188)	0	363,436
CURRENT LIABILITIES							
Provisions	(10,193)						(10,193)
Financial liabilities:							
Trade and other payables	(67,568)	(703)		513	188		(67,570)
Derivatives financial liabilities							
TOTAL CURRENT LIABILITIES	(77,761)	(703)	0	513	188	0	(77,763)
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	277,156	7,323	0	1,194	0	0	285,673
Non-current liabilities							
Provisions	(6,244)						(6,244)
Financial liabilities:							
Trade and other payables	(36,534)						(36,534)
Total non-current liabilities	(42,778)	0	0	0	0	0	(42,778)
Assets less liabilities	234,378	7,323	0	1,194	0	0	242,895
TAXPAYERS' EQUITY							
General Fund	140,748						140,748
Revaluation Reserve	92,343						92,343
Donated Asset Reserve	0						0
Other Reserves	1,287						1,287
Government Grant Reserve		7,323		1,194			8,517
Total taxpayers' equity	234,378	7,323	0	1,194	0	0	242,895

26c. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Cash flows from operating activities							
Net operating cost	(621,251)			201			(621,050)
Adjustments for non-cash transactions	17,756						17,756

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Add back: interest payable recognised in net operating cost	3,296					3,296
Deduct: interest receivable recognised in net operating cost	0					0
Investment Income	0					0
(Increase) / decrease in trade and other receivables	(9,137)	14		188		(8,935)
(Increase) in inventories	(325)					(325)
(Increase) / decrease in trade and other payables	18,460	(513)		(188)		17,759
Decrease in provisions	4,478					4,478
Net cash outflow from operating activities	(586,723)	(298)	0	0	0	(587,021)
Cash flows from investing activities						
Purchase of property, plant and equipment	(14,020)					(14,020)
Purchase of intangible assets	(6)					(6)
Investment Additions	(127)	(81)				(208)
Proceeds of disposal of property, plant and equipment	248					248
Proceeds of disposal of intangible assets	5					5
Receipts from sale of investments	0	611				611
Interest received	0					0
Net Cash outflow from investing activities	(13,900)	0	0	530	0	(13,370)
Cash flows from financing activities						
Funding	604,416					604,416
Movement in general fund working capital	130					130
Cash drawn down	604,546					604,546
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(497)					(497)
Interest paid	(246)					(246)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,050)					(3,050)
Net Financing	600,753	0	0	0	0	600,753
Net Increase in cash and cash equivalents in the period	130	0	0	232	0	362
Cash and cash equivalents at the beginning of the period	(20)			601		581
Cash and cash equivalents at the end of the period	110	0	0	833	0	943
Reconciliation of net cash flow to movement in net debt/cash						
Increase in cash in year	130	0	0	232	0	362
Net debt / cash at 1 April	(20)			601		581
Net cash at 31 March	110	0	0	833	0	943

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NOTES TO THE ACCOUNTS for the year ended 31 March 2014

27. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets CONSOLIDATED

	Notes	Loans & Receivables £'000	Assets at Fair Value through profit and loss £'000	Available for Sale £'000	Total £'000
At 31 March 2014					
Assets per balance sheet					
Investments	<u>14</u>			8,123	8,123
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	<u>13</u>	32,021			32,021
Cash and cash equivalents	<u>15</u>	1,123			1,123
		33,144	0	8,123	41,267

BOARD

	Notes	Loans & Receivables £'000	Assets at Fair Value through profit and loss	Available for Sale £'000	Total £'000
At 31 March 2014					
Assets per balance sheet					
Investments	<u>14</u>			127	127
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	<u>13</u>	32,221			32,221
Cash and cash equivalents	<u>15</u>	155			155
		32,376	0	127	32,503

CONSOLIDATED (Prior Year)

	Notes	Loans & Receivables	Assets at Fair Value through profit and loss	Available for Sale	Total
At 31 March 2013					
Assets per balance sheet					
Investments	<u>14</u>			7,982	7,982
Derivative financial instruments	<u>28</u>				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	<u>13</u>	14,303			14,303
Cash and cash equivalents	<u>15</u>	943			943
		15,246	0	7,982	23,228

BOARD (Prior Year)

	Notes	Loans & Receivables	Assets at Fair Value through profit and loss	Available for Sale	Total
At 31 March 2013					
Assets per balance sheet					
Investments	<u>14</u>			127	127
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	<u>13</u>	14,472			14,472
Cash and cash equivalents	<u>15</u>	110			110
		14,582	0	127	14,709

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27. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities CONSOLIDATED

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
AT 31 MARCH 2014				
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		2,360	2,360
PFI Liabilities	<u>16</u>		34,185	34,185
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	<u>16</u>			
			40,424	40,424
		<u>0</u>	76,969	76,969

BOARD

	Note	£'000	£'000	£'000
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		2,360	2,360
PFI Liabilities	<u>16</u>		34,185	34,185
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	<u>16</u>			
			40,400	40,400
		<u>0</u>	76,945	76,945

CONSOLIDATED (Prior Year)

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
Finance lease liabilities	<u>16</u>		2,400	2,400
PFI Liabilities	<u>16</u>		35,247	35,247
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>			
			48,484	48,484
		<u>0</u>	86,131	86,131

BOARD (Prior Year)

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
Finance lease liabilities	<u>16</u>		2,400	2,400
PFI Liabilities	<u>16</u>		35,247	35,247
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>			
			48,482	48,482
		<u>0</u>	86,129	86,129

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

27. 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.

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2014				
PFI Liabilities	3,773	3,772	11,317	40,244
Finance lease liabilities	252	275	899	2,511
Total	4,025	4,047	12,216	42,755

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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2013	£'000	£'000	£'000	£'000
PFI Liabilities	3,772	3,773	11,317	44,017
Finance lease liabilities	258	259	786	2,881
Trade and other payables excluding statutory liabilities				
Total	4,030	4,032	12,103	46,898

c) Market Risk

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

i) Cash flow and fair value interest rate risk

The 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

The NHS Board is not exposed to foreign exchange rates.

iii) Price risk

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

c FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques.

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Board has no transactions of this type.

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

29. RELATED PARTY TRANSACTIONS

The Board had no transactions with other government departments and other central government bodies.

No Board Member, key manager or other related party has undertaken any material transactions with the Board during the year.

From 1 April 2012 the Highland Council and NHS Highland implemented integrated health and social care services. Under the partnership agreement effective from that date, NHS Highland is the lead agency for integrated adult services and Highland Council is the lead agency for the delivery of integrated children's services.

Approximately 230 staff and budget of £7.5m transferred from NHS Highland to Highland Council for children's services and approximately 1620 staff and budget of £87.5 million (13/14) £86.9million (12/13) transferred from Highland Council to NHS Highland for adult services.

From 1 April 2012, NHS Highland and its adult social care staff contributed to the Pension fund run by Highland Council which provides pensions for the social care staff of NHS Highland.

Highland Health Board

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

30. SEGMENT INFORMATION

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

	Note	A&B CHP	Raigmore Hospital	North & West Operational Unit	South & Mid Operational Unit	Adult Social Care Central £'000	Adult Social Care Funding £'000	Child Services £'000	Other £'000	2014 £'000
Net operating cost		179,551	147,081	113,449	166,944	29,021	(87,489)	8,440	86,606	643,603

30. SEGMENT INFORMATION – PRIOR YEAR

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

	Note	A&B CHP	Raigmore Hospital	North & West Operational Unit	South & Mid Operational Unit	Adult Social Care Central £'000	Adult Social Care Funding £'000	Child Services £'000	Other £'000	2013 £'000
Net operating cost		176,334	137,671	120,360	169,645	1,891	(86,901)	7,546	94,504	621,050

Highland Health Board

NOTES TO THE ACCOUNTS for the year ended 31 March 2014 31. THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	2013	Gross Inflows	Gross Outflows	2014
	£'000	£'000	£'000	£'000
Monetary amounts such as bank balances and monies on deposit	370	562	(490)	442
Total Monetary Assets	370	562	(490)	442

32. EXIT PACKAGES

Exit Package Cost Band	Number of Compulsory Redundancies	Number of other Departures - Agreed	2014 Total Number of Exit Packages by cost band
<£10,000			
£10,000 - £25,000			
£25,000 - £50,000	0	1	1
£50,000 - £100,000			
£100,000 - £150,000			
£150,000 - £200,000			
>£200,000			
Total Number of Exit Packages by Type	0	1	1
Total Resource Cost (£'000)	0	44	44

EXIT PACKAGES – PRIOR YEAR

Exit Package Cost Band	Number of Compulsory Redundancies	Number of other Departures - Agreed	2013 Total Number of Exit Packages by cost band
<£10,000	0	6	6
£10,000 - £25,000	0	2	2
£25,000 - £50,000	0	1	1
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total Number of Exit Packages by Type	0	9	9
Total Resource Cost (£'000)	0	75	75

Highland Health Board

NOTES TO THE ACCOUNTS for the year ended 31 March 2014

33a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group		Board	Endowment	Intra Group adjustment	Consolidated
2013		2014	2014	2014	2014
£'000		£'000	£'000	£'000	£'000
	Clinical Services Costs				
597,869	Hospital and Community	610,447			610,447
133,921	Less: Hospital and Community Income	125,751			125,751
463,948		484,696			484,696
157,646	Family Health	160,066			160,066
3,594	Less: Family Health Income	4,207			4,207
154,052		155,859	0	0	155,859
618,000	Total Clinical Services Costs	640,555	0	0	640,555
5,445	Administration Costs	5,372			5,372
13	Less: Administration Income	64			64
5,432		5,308	0	0	5,308
15,386	Other Non Clinical Services	14,034	1,368	(105)	15,297
17,768	Less: Other Operating Income	16,173	1,489	(105)	17,557
(2,382)		(2,139)	(121)	0	(2,260)
621,050	Net Operating Costs	643,742	(121)	0	643,603

Intragroup adjustments relates to in year trading between Board and Endowments. Endowments Accounts have been show as per Board Accounting Policies resulting in unrealised gains being excluded from the SOCNE above.

33b. CONSOLIDATED GROUP BALANCE SHEET

Group		Board	Endowment	Intra Group adjustment	Group	
2013		2014	2014	2014	2014	
£'000	Note	£'000	£'000	£'000	£'000	
	Non-current Assets:					
311,438	Property, plant and equipment	11	315,618		315,618	
1,181	Intangible assets	10	699		699	
	Financial assets:					
7,982	Available for sale financial assets	14	127	7,996	8,123	
8,130	Trade and other receivables	13	8,556		8,556	
328,731	Total non-current assets		325,000	7,996	332,996	
	Current Assets:					
5,604	Inventories	12	5,413		5,413	
	Financial assets:					
27,885	Trade and other receivables	13	50,307	11	(211)	50,107
943	Cash and cash equivalents	15	155	968		1,123
	Available for sale financial assets					
273	Assets classified as held for sale	11c	52	0	0	52
34,705	Total current assets		55,927	979	(211)	56,695
363,436	Total Assets		380,927	8,975	(211)	389,691

Highland Health Board

	Current liabilities				
(10,193)	Provisions		(12,405)		(12,405)
	Financial liabilities:				
(67,570)	Trade and other payables	16	(60,780)	(235)	211
77,763	Total current liabilities		(73,185)	(235)	211
285,673	Non-current assets plus/less net current assets/liabilities		307,742	8,740	0
	Non-current liabilities				
(6,244)	Provisions	17	(10,686)		(10,686)
	Financial liabilities:				
(36,534)	Trade and other payables	16	(37,076)		(37,076)
(42,778)	Total non-current liabilities		(47,762)	0	0
242,895	Assets less liabilities		259,980	8,740	0
	Taxpayers' Equity				
140,748	General Fund	SOCTE	164,134		164,134
92,343	Revaluation reserve	SOCTE	94,419		94,419
1,287	Other reserves	SOCTE	1,427		1,427
8,517	Funds Held on Trust	SOCTE	0	8,740	8,740
242,895	Total taxpayers' equity		259,980	8,740	0

Intragroup adjustments relates to negating the balance due by Endowments payable to the Board

33c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board £'000	Endowment £'000	Group £'000		Board £'000	Endowment £'000	Group £'000
(621,251)	201	(621,050)	Cash flows from operating activities	(643,724)	121	(643,603)
17,756		17,756	Net operating cost	17,916	0	17,916
3,296	0	3,296	Adjustments for non-cash transactions	3,236	0	3,236
	0	0	Add back: interest payable recognised in net operating cost	0	0	0
(9,137)	202	(8,935)	Investment Income	(22,679)	31	(22,648)
(325)	0	(325)	(Increase) / decrease in trade and other receivables	191	0	191
18,460	(701)	17,759	(Increase) / decrease in inventories	(4,896)	22	(4,874)
4,478	0	4,478	Increase / (decrease) in trade and other payables	6,654	0	6,654
			Increase in provisions			
(586,723)	(298)	(587,021)	Net cash outflow from operating activities	(643,302)	174	(643,128)
			Cash flows from investing activities			
(14,020)	0	(14,020)	Purchase of property, plant and equipment	(17,496)	0	(17,496)
(6)	0	(6)	Purchase of intangible assets	(77)	0	(77)
(127)	(81)	(208)	Investment Additions	0	(890)	(890)
248	0	248	Proceeds of disposal of property, plant and equipment	768	0	768
5	0	5	Proceeds of disposal of intangible assets	0	0	0
	611	611	Receipts from sale of investments		851	851
(13,900)	530	(13,370)	Net cash outflow from investing activities	(16,805)	(39)	(16,844)
604,416	0	604,416	Cash flows from financing activities	664,445		664,445
130	0	130	Funding	45		45
604,546	0	604,546	Movement in general fund working capital			
			Cash drawn down	664,490	0	664,490
(497)	0	(497)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(1,102)	0	(1,102)
(246)	0	(246)	Interest paid	(268)	0	(268)

Highland Health Board

(3,050)	0	(3,050)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(2,968)	0	(2,968)
600,753	0	600,753	Net Financing	660,152	0	660,152
130	232	362	Net increase in cash and cash equivalents in the period	45	135	180
(20)	601	581	Cash and cash equivalents at the beginning of the period	110	833	943
110	833	943	Cash and cash equivalents at the end of the period	155	968	1,123
130	232	362	Reconciliation of net cash flow to movement in net debt/cash	45	135	180
(20)	601	581	Increase in cash in year	110	833	943
			Net cash at 1 April			
110	833	943	Net cash at 31 March	155	968	1,123

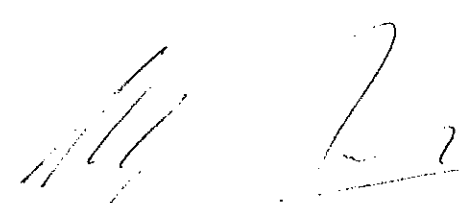
Highland Health Board



Highland 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