Highland Health Board

ANNUAL ACCOUNTS

for

THE YEAR ENDED 31 MARCH 2012

Highland Health Board

INDEX

	Page
Directors' Report	3-8
Operating and Financial Review	9-22
Financial Performance and Position	23-25
Performance against Key Non Financial Targets	26-29
Sustainability and Environmental Reporting	30-31
Remuneration Report	32-35
Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board	36
Statement of the Health Board Members' Responsibilities in respect of the Accounts	37
Governance Statement	38-41
Independent Auditors' Report	42-43
Statement of Comprehensive Net Expenditure and Resource Outturn statement	44-45
Balance Sheet	46
Statement of Cash Flows	47
Statement of Changes in Taxpayers' Equity	48-49
Accounting Policies	50-63
Staff Numbers and Costs	64
Higher Paid Employees' Remuneration	65
Other Operating Costs	66
Hospital and Community Health Services	66
Family Health Service Expenditure	67
Administration Costs	67
Other Non Clinical Services	68
Operating Income	69
Analysis of Capital Expenditure	70
Intangible Assets	71
Property, Plant and Equipment	72-75
Assets Held for Sale	76
Property, Plant and Equipment Disclosures	76
Inventories and Work in Progress	77
Trade and Other Receivables	77-78
Cash and Cash Equivalents	79
Trade and Other Payables	80-81
Provisions	82-83
Movement in Working Capital	84
Contingent Liabilities	85-86
Contingent Assets	85-86
Events after the end of the Reporting Period	86
Commitments	86
Commitments under Leases	87
Commitments under PFI Contracts	88
Pension Costs	89
Prior Year Adjustments	90
Restated Statement of Comprehensive Net Expenditure	91
Restated Balance Sheet	92-93
Restated Statement of Cash Flows	94-95
Financial Instruments	96-98
Related Party Transactions	99
Segmental Reporting	99
Third Party Assets	99
Disclosure of Exit Packages	99
Direction by the Scottish Ministers	100

Highland Health Board

ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

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 on 18th June 2012 and authorised for issue on 19th June 2012.

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 2011/12 to 2015/16 the Auditor General appointed Stephen O'Hagan, 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.

   Garry Coutts, Chair

   Ian Gibson, Vice-Chair

   Bill Brackenridge, Non-Executive Member

   Pamela Courcha, Non-Executive Member (retired 31/03/12)

   Robin Creelman, Non-Executive Member (appointed 01/04/11)

Margaret Davidson, Non-Executive Member

Michael Evans, Non-Executive Member

Quentin Cox, Non Executive Member (until 30/9/11)

Iain Kennedy, Non-Executive Member (appointed 01/10/11)

Gillian McCreath, Non-Executive Member

Okain McLennan, Non-Executive Member

Colin Punler, Non-Executive Member

Elaine Robertson, Non-Executive Member

Vivian Shelley, Non-Executive Member

Ray Stewart, Non-Executive Member

Sarah Wedgwood, Non-Executive Member

Elaine Mead, Chief Executive

Malcolm Iredale, Director of Finance (until 30/09/11)

David Garden, Interim Director of Finance (01/10/11 to 31/12/11)

Nick Kenton, Director of Finance (from 05/01/12)

Ian Bashford, Medical Director

Heidi May, Nurse Director

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:

Bill Brackenridge	Argyll & Bute Council
Margaret Davidson	Highland Council
	Council of Voluntary Service (CVS) Inverness
	Glenurquhart Land Use Partnership
	Highland Housing Alliance
Michael Evans	A A MacKenzie & Co Ltd
Ian Gibson	Highland Council
	Lloyds TSB Foundation for Scotland including Badenoch & Strathspey Transport Company and Partnerships for Wellbeing
Gillian McCreath	Highland Council
Elaine Robertson	Argyll & Bute Council
Ray Stewart	Unite Trade Union

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 23 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 31st 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 (http://www.payontime.co.uk) by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner.

In 2011/12 average credit taken was 11 days (prior year 12 days).
In 2011/12 the Board paid 89.3% by value (prior year 94.4%) and 93.6% by volume. (prior year 92.3%) within 30 days.
In 2011/12 the Board paid 73% by value (prior year 77.9%) and 82.8% by volume. (prior year 79.6%) within 10 days.

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 provides an oversight to the systems and processes for delivering clinical governance and facilitates appropriate integration, together with providing assurance to the NHS Board that necessary systems for clinical governance are in place and operating effectively, whilst overseeing the delivery of the Local Delivery Plan (HEAT) target in relation to the NHS Quality Improvement (QIS) Standards for Clinical Governance & Risk Management and developing a Quality and Clinical Governance Strategy for NHS Highland.

Audit Committee
The Audit Committee comprises of a minimum of three non-executive directors from the Board and was chaired by Ian Gibson. 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.

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, a Lead Executive (Director of Human Resources), representation from the Highland Partnership Forum and two ex-officio members (Chair and Chief Executive). The Committee was chaired by Pam Courcha until 31/03/2012 with Colin Punler being formally appointed as Chair on 05/06/2012. The Committee meets approximately four times per year.

NHS Highland had previously developed a Workforce Strategy, which considered the National and Local Drivers for Change; however the prevailing financial situation across the NHS in Scotland has presented new and different workforce challenges to maintain and develop services. In response NHS Highland has developed a Board Vision and Strategic Framework, underpinned by a range of workforce programmes that have been developed to support the implementation of the Framework. 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
The North of Scotland Research Ethics Committee serves the North of Scotland, encompassing Grampian, Highland, Orkney and Shetland, and the Western Isles, which provide research ethical expertise and advice when requested to participants, researchers, funders, sponsors, employers, care organisations and professionals both

pre and post ethical application. Training is also provided to researchers in NHS Highland through an organised programme, managed through the Research and Development Department.

The principle function of the committee is to provide independent advice as to whether a given piece of research is ethical, and whether the dignity, rights, safety and wellbeing of individual research subjects are adequately protected. There were two NHS Highland members on the North of Scotland Research Ethics Committee, however their terms of appointment have come to an end and a recruitment process is ongoing to fill these vacancies.

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 each of the operational units. 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 persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board.

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 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. Workforce Information Reports have continued to be developed and extended and been 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 developments.

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

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 26.

The Accountable Officer authorised these financial statements for issue on 19 June 2012.

By order of the board

19.6....2012 ..Elaine Mead..... Chief Executive

OPERATING AND FINANCIAL REVIEW

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, 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:

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

Developments during 2011/12

Infection control
Throughout the year infection rates across NHS Highland continued to fall with a noticeable decrease in the numbers of Staphylococcus *aureus bacteraemia* (SAB), *Clostridium difficile* and surgical site infections. Our SAB rates are the lowest of the mainland Boards. Work is ongoing to continue to bring these rates down.

During the year we had Healthcare Environment Inspectorate visits to three hospitals Raigmore (Inverness), Belford (Fort William) and Mackinnon Memorial (Broadford). Reports were favourable and any recommendations for improvement have already been acted upon.

Best Start in Life
Breastfeeding groups across Highland, known as peer supporters, have been working hard to promote the benefits of breastfeeding. They are also helping to support new mums to share their experiences. During the year more volunteers completed the UNICEF breastfeeding management course. Previously the course was only available to staff within the Board

Special Care Baby Unit house opens
Parents of babies who are in Raigmore Hospital's Special Care Baby Unit (SCBU) now have access to a two-bedroom house on the hospital site. The house will be the first port of call for any parent requiring accommodation while their child is in the unit. For the first time both parents may stay free of charge (funded by SCBU).

Healthy living and public health

The X-Programme
NHS Highland's healthy lifestyle X-Programme is benefiting families across Highland. The programme seeks to builds confidence around healthy eating and taking part in fun physical activities. Each family's healthy living plan is based around their own circumstances and what fits best for them.

During 2011/12 further work was carried out to extend the programme into schools with the aim of embedding it as part of the curriculum. Endorsement has been secured from the Highland Council, Education, Culture and Support Committee.

Know who to turn to campaign
Knowing where to go to get help for a range of health problems is vitally important but research by the NHS in Scotland shows that many people are missing out on important sources of advice and treatment. As part of this, NHS Highland launched an information campaign detailing sources of care, advice and treatment encouraging people to use all the NHS services. We also did some focused work with over 700 children and teachers. Further work is planned.

Healthy advice to men
It is well documented that men are less likely to access their GP. Men's Health Week runs every year the week before Father's Day. The focus is to empower men to take responsibility for their own health. Throughout the year NHS Highland staff supported a range of local community led-initiatives, aimed at providing health information, advice and support.

Community pharmacies promote life saving advice
Community pharmacies joined a national campaign to encourage people to take the life saving bowel screening test. People aged 50-74 are eligible for screening and are sent a home-based test kit every two years.

Less is more - save our antibiotics
Antibiotics are a precious resource that we risk losing within a generation if we do not safeguard their appropriate use. The more antibiotics are prescribed the more likely it is that resistance will develop.

This year as part of the European Antibiotic Awareness Day we worked with clinical colleagues to explain to the public that, prescribing antibiotics, where it is not indicated, will have no benefit and may cause harm.

Take up the smoke free home challenge
This year we actively promoted the smoke-free home challenge. This involves smokers and non-smokers promising to make part or their entire home, and their car, smoke-free for themselves, their family and friends.

Alcohol brief interventions
We are continuing to promote sensible drinking by getting health professional to take every opportunity to discuss with people how much they are drinking and supporting them to find strategies to reduce alcohol intake. These conversations, which are confidential, are called brief interventions.

In Skye, Lochalsh and Wester Ross, we have set up Alcohol Education Groups. These are for anyone with a concern about their levels of drinking regardless of its severity. Early intervention is important and the groups form part of our commitment to helping those with alcohol problems.

Mental wellbeing
A mental wellbeing strategy was launched in Argyll and Bute in March. Mental wellbeing is not purely about the absence of symptoms of mental ill-health. Recommendations include improving opportunities for people to access social activities; linking people in with welfare rights services; how to access counselling; and access to training for staff and the public. The approach is to take actions which help people to have the resilience to deal with adversity.

Self management
Self management means being able to look after yourself and your general health. It is not a replacement for services but recognises that people with a long term condition live with it every day and only spend a tiny fraction of their time with professional. But effective self management relies on people having access to the right information and support. Our focus to help people stay safe and live independent lives in their own home. There is a wide range of work ongoing ranging from raising awareness to education and training. Three examples of initiatives are summarised:

'Staywell'
Members of the public who have or care for someone with a long term health condition are now able to access on line information about their condition. It provides details on what local support is available and information on maintaining a healthy lifestyle. This all forms part of the 'Staywell' Self Management Programme.

While the web site is available to everyone, additional support was provided across Ross and Cromarty, Skye and Lochaber where some GP Practices and community teams are using the programme as part of their regular reviews with patients.

National self management week
During National self management week (October) staff in Argyll and Bute raised awareness of the expert knowledge that individuals, carers and families have calling on the need for a more person centred approach to health care. The best outcomes will come where we work with the strengths that people already have.

Falls awareness week
Public awareness-raising events were organised at Dornoch in Sutherland and Wick in Caithness to coincide with Falls Awareness Week (June). Information about preventing falls in the home was provided including advice on reducing the risk of tripping over, safe use of medication and having regular eye checks.

Health inequalities
The health of the population in the area covered by NHS Highland is improving, however, more needs to be done to ensure this improvement continues and applies equally to all communities. In the Director of Public Health's Annual Report published in October, some of the key issues and next steps were described.

Update on buildings

Access to dental services improved
2011/12 saw significant investment (£3.7 million) in dental services come to completion with new clinics opened in Dingwall (September 2011) and Thurso and Portree (January 2012). These new arrangements have significantly improved access to register with a NHS dentist. The lease arrangements are some of the first of their type to be agreed in Scotland.

New Migdale opens
Migdale Community Hospital (Bonar Bridge in east Sutherland), opened in June. Services include an in-patient assessment unit for older people with mental health needs. There are also GP-led inpatient beds, offering a range of services, including palliative care and general medicine. Physiotherapy and occupational therapy services are provided for inpatients and outpatients.

The building was purpose built to create an environment that is therapeutic for patients. The design was based on advice from Dementia Services at Stirling University and was runner up in this year's National Design Awards. A local support group (Friends of Migdale Hospital) has been instrumental in designing and fund raising for the gardens.

Minister for Public Health opens new unit in Raigmore
January saw Raigmore Hospital welcome Michael Matheson, Minister for Public Health, to officially open the new state of the art £5.1 million purpose built, Cardiac and Interventional Radiology unit. It was part of a three phase project that included the refurbishing of staff changing rooms and a new medical records department.

New health centre for Broadford underway
Work started in July on building a new £1.3 million health centre next to the Dr MacKinnon Memorial Hospital at Broadford on Skye. The new facility will replace the building currently used by Broadford Medical Practice, which is no longer fit for purpose.

Funding secured to improve health centres
The Scottish Government agreed funding of £3 million over a three-year period to complete improvements to Dingwall Health Centre and to build a new health centre in Drumnadrochit.

Planning application submitted for Tain health centre
A planning application was submitted to build a new health centre at Tain in Easter Ross, at a cost of around £6 million. If approval is granted the facility will provide a total of 12 GP consulting rooms and three treatment rooms for the two local GP practices. It will also include a four-room dental suite and a range of facilities for community staff. The project is being supported by capital enabling funds from Scottish Futures Trust.

Mull and Iona progressive care centre and community hospital
The purpose built £8 million facility will include three beds for in-patients, a two bay community casualty unit as well as facilities for outpatients. There will also be 12 individual supported living flats within the new centre which will be managed by West Highland Housing Association. It will replace the existing Dunaros Residential Care Centre and Community Hospital in Salen. Work, which started at the end of 2010, has progressed as planned during the year and should open in August 2012.

Hospital fire compliance
Highland Fire and Rescue Service carried out a number of hospital inspections including at Cowal Community, Invergordon, Islay, Migdale, New Craigs, Raigmore and Ross Memorial.

As a result some notices of unsatisfactory performance which relate to fire arrangements (such as record keeping) and building defects (such as fabric faults) were issued. Issues with the buildings are more difficult to deal with and will have future capital implications. Plans are being progressed to manage and prioritise any risks and make sure improvement works won't impact on clinical services.

NHS property survey – response to CEL 35(2010)
We have fully participated in the survey of NHS properties. All Boards have used the same methodology to assess the condition of buildings across six key areas: physical condition, statutory compliance, environmental compliance, functional suitability, space utilisation and quality.

Our findings have been reported through our Board Meetings and described around £80million of repairs, maintenance and upgrading works required to bring sites up to minimum national requirements.

The property review forms part of our wider strategic plan which is looking at more community based and integrated services, less reliance on hospital beds and overall using fewer buildings.

Energy Efficiency
We continue to invest in upgrading heating systems in hospitals to make sure they are kept within clinical guidelines. This has contributed to our energy reduction performance. At the same time we continue to reduce our Carbon Footprint. Investment in water conservation has reduced water consumption.

We have five hospitals operating on Biomass and work continues on schemes for a further two. During the year we progressed work to tender for Solar panels for some of our Buildings. The Migdale Hospital achieved an Energy Performance Certificate rating of B+.

We continue to work with the Carbon Trust as one of the pilot sites for the second generation of carbon and energy reduction plans; these cover a much wider area of business looking at transport, travel, waste and procurement in much greater detail than before. This is essential if we are to try to manage the increased energy costs of the future.

Using technology, equipment, innovation and research

DALLAS (Delivering Assisted Lifestyles at Scale)
In October, the Highlands were chosen as one of five pilot areas in Scotland to take part in a research and development programme. The initiative, which will invest up to £10 million and involve 10,000 people, will look to find innovative solutions to support people with long term conditions in their own home.

Improving access to specialists
Delivery of a high quality specialist service is particularly challenging across sparsely populated geographical areas. While Video Conferencing is already widely used to connect health care staff, it can also increase access to specialists.

Consultants in Highland spend over 5000 hours travelling so the potential benefits of using innovative solutions to reduce travel and increase access are significant. Here are a few examples:

- Residents with mental health problems in Abbeyfield Care Home (Ballachulish) are being remotely supported by the specialist team in Inverness. It is believed that this is the first time a care home in Scotland is using this approach.

- Caithness patients with diabetes were involved in successful trials of a new telehealth clinic to speed up appointments with their consultants. This service has now been rolled out to all diabetes clinics in Highland.

- This year we successfully teamed up with the Scottish Centre for Telehealth and Telecare (SCTT), part of NHS24, to improve access to specialist substance misuse services for people in the far North.

Electronic document transmission
The project is now far into the implementation phase with all 68 Northern Highland Practices live with the transmission of electronic diagnostic reports (blood sciences, microbiology, pathology and radiology), and clinical letters. This is leading to a significant reduction in paper and speeded up receipt of diagnostic test results.

Modernising radiotherapy techniques
A second linear accelerator arrived at Raigmore Hospital in August. The Varian TrueBeam, the first of its kind in Scotland, allows the delivery of more advanced treatment by using high-precision radiotherapy. It also helps to minimise the radiation dose around the area where the tumour is located. Approximately half of all new cancer patients are likely to require radiotherapy as part of their initial management and so this is a significant development.

Improving dementia care
The findings from a two year Knowledge Transfer Partnership (KTP) was published in September. The focus of the work was to look at diagnostic processes and post diagnostic support. The Final Report promoted seven recommendations which are now being implemented. This work is informing the re-design of older adult mental health services.

The impact of falls in older people
Falls and the harm caused by falls are a common problem for many older people and is a growing public health concern. In particular falls leading to emergency hospital admissions have significant implications for morbidity and mortality. It also has a potentially serious cost implication if not more effectively managed. Findings from a study published by NHS Highland in February 2012 highlighted local variation in emergency admission rates. Work is ongoing to understand this variation.

Review of the evidence to reduce hospital utilisation by older people
By 2035 the number of people aged 75 or over will double in Highland. It is important to plan for this because older people make more use of health and social services. One area of focus is how to effectively reduce emergency admissions. The published evidence (132 articles reviewed) on three areas, covering 27 interventions, we reviewed:

- Infrastructure to provide care (e.g. Integrated)
- Interventions with specific aims (e.g. falls prevention)
- Methods of providing care (e.g. telemedicine)

Notable only two interventions were associated with evidence for both clinical and cost effectiveness: (i) structural integrated health and social care, and (ii) specific case management.

Some interventions were found to be ineffective. In the majority of cases there was insufficient evidence to make firm conclusions. The results were summarised in a final report prepared in November 2011.

Researching the whole human
The annual NHS Highland Research and Development (R&D) Day held at the Centre for Health Science in Inverness in June focused on the need to look at research in a much more holistic fashion.

University and NHS team up to support long-term health sufferers
The University of the Highlands and Islands and NHS Highland started an education programme in June to help people to self-manage their long-term health conditions. Two modules, as part of the postgraduate degree for health and social care professionals, will provide support and education of self-management skills to those who live with, or look after someone, with a long-term condition.

The Clinical Advisory Group
Our Clinical Advisory Group, which was established in March 2011, produced their first annual report. A key purpose is to focus on the clinical appropriateness and cost-effectiveness of existing and proposed treatments. Some of the outcomes so far include:

- Robust management of out of area referrals leading to better use of local clinical services
- Implementation of a Highland-wide pilot of a Tier 3 Weight Management Service involving specialist dietetic input. Previously patients were referred for weight management and surgery in Aberdeen but had very lengthy delays.

- Recommendations to change clinical practice, including: Management of Chronic Fatigue Syndrome (ME) – persistent fatigue lasting more than 4 months in adults.

Training and education

Heart failure patients
The team of five heart failure nurses have been providing GPs and nurses in the community with training and education in heart failure management. The aim is that staff are then able to support chronic heart failure patients and their carers by introducing them to self management aspects of care. The scheme is run jointly by NHS Highland and British Heart Foundation (BHF) Scotland.

Arthritis
A new group was set up in May for people newly diagnosed with inflammatory arthritis. It is organised by physiotherapists, occupational therapists and nursing staff and provides the members with education in how to manage their condition as well as providing peer support. It was developed following the review of Rheumatology Service in Highland.

Highland surgical skills boot camp
New trainee surgeons from around the British Isles took part in a week-long surgical skills camp in the Highlands. This innovative project is run by NHS Highland, in partnership with the Royal College of Surgeons of Edinburgh and NHS Education for Scotland. The idea is to support junior surgeons pick up skills and learning techniques that are essential for a surgical trainee. The approach has wider application for appraising learning across other businesses.

Service improvement methodology
Working with an external strategic partner (GE), and building on our experience from National Collaborative Programmes, over 150 staff have been trained in LEAN and service improvement methodology.

Service Improvement bench
NHS Highland took an approach to embed LEAN methodology by developing a service improvement bench. In this arrangement staff joined the bench and were supported and developed to undertake service redesign projects in support of NHS Highland Strategic Framework. A competency framework comprising 4 levels has been developed to match staff current skills and on-going development with key service redesign projects.

Service developments

NHS Highland opens steroid clinic
Users of Performance and Image Enhancing Drugs (steroids) didn't see themselves as drug users and so were not accessing advice and support services. To overcome this, a steroid clinic, the first of its kind outside of Glasgow, has been set up by our Harm Reduction Service.

Substance misuse
Substance misuse service manager was recruited in August with professional lead responsibility across North Highland.

Life saving drug shown to be success
Patients with heart attacks in Highland often require a life saving drug called a thrombolytic or 'clot buster' and any delays can reduce life expectancy. In February 2009 the Coronary Care Unit team, set up a pre-hospital thrombolysis service. Over the past six months a review has shown that three out of every four patients have receive the clot busting drug before arriving at hospital.

Anticipatory care
Anticipatory care plans have now been agreed for around 5,000 individuals. The plans feature legal and practical issues as well as wishes for end-of-life care and preferred place of care. Such plans ensure that professionals, carers and families follow individual wishes. By anticipating needs it means we can provide timely support. This in turn is increasing the number of patients who are able to stay at home with the support of local services. The work has been formally evaluated and in August and won a National Award.

New guidance on drugs
Adverse reactions to drugs can account for one in five of all hospital admissions. Clinicians identified that there were a number of benefits to reviewing what drugs patients are taking. To progress this work NHS Highland produced guidance to promote safe and sensible

prescribing. Through a Local Enhanced Service, GPs have already completed more than 4,000 patient reviews. Those who benefit most from review are those taking ten or more drugs or whose health is most vulnerable, including care home residents.

Treating more patients locally
We continue to develop services to support more patients being looked after locally whenever possible. Some examples are:

- A year after the percutaneous coronary intervention service (PCI) was set up at Raigmore Hospital; almost 400 patients were treated locally in 2011/12. Previously these patients would have been treated out of the Highlands. Other benefits included being seen more quickly and spending less time in hospital.

- A new service for patients with chest pain was introduced at Caithness General Hospital in Wick in November. Patients with new onset of suspected angina can be referred by their GPs for early specialist assessment without the need to wait for an out patient appointment. A similar service has been working in Raigmore for a number of years.

- Patients requiring intravenous infusions at Raigmore are now benefiting from a specialist infusion suite. A day case and infusion unit also opened in the Highland Rheumatology Unit in Dingwall allowing more patients to receive their treatment locally.

- During the year pre-operative assessment service in Lochaber expanded to include assessment of local patients scheduled for ENT, Orthopaedics, Gynaecology, Vascular and Paediatric surgery in Raigmore Hospital. This prevents a three hour round trip to Inverness for the majority of patients and a decrease in associated costs.

- From August 2011 staff at Mid Argyll Community Hospital in Lochgilphead started to provide local day case services for chemotherapy and supportive therapies. Patients no longer have to make the two hour journey to Glasgow. The service has been developed through close working with the oncology specialist services in the Beatson Centre.

- We welcomed the opening of a new community pharmacy at Gairloch in Wester Ross in November. Providing a community pharmacy will enable patients to access an increased range of healthcare services locally.

Weeks referral to treatment
By the end of December NHS Highland successfully managed to implement the National 18 weeks referral to treatment time target. The National Programme formally completed in March but work is ongoing to further improve linking pathways, monitoring and reporting. To support this suite of Key Performance Reports have been developed.

Service Improvement and redesign

Highland quality approach
There is considerable evidence that better quality, safer care is more efficient and therefore costs less. Our aim is to improve the patient's experience and outcomes while systematically identifying and removing waste. Our local implementation of this is called the Highland Quality Approach and is central to all the work we do. The Board endorsed the approach in November.

Scenario modelling and strategic planning
To support our strategic planning, modelling work is ongoing to look at what acute and community facilities are required going into the future. The findings will shape some of the discussions on the future management of inpatient capacity across Highland and in doing so inform the property strategy.

Electronic referral system
Through a LEAN Kaizen event in psychology an electronic referral system was developed and a waiting group established. These actions are part of wider action plan to support the delivery of faster access to mental health services.

Improving theatre utilisation
Theatres are one of our most expensive resources. The estimated cost attached to an efficiency swing of 1% is £152,000 per annum. During the period September 2007 to April 2011 utilisation increased from 62% to 87% with Raigmore now one of the top performing sites.

By adopting the same improvement methodology, Belford Hospital brought about an increase in theatre utilisation from 64% in June 2011 to 70% in Feb 2012.

These improvements have been achieved by reducing cancellations, starting on time, reducing turn-a-round times and more effective management of lists. Reducing cancellations and delays also brings about improvements in patient experience.

Making best use of all resources
Even with the improved theatre utilisation in Raigmore it is not possible to meet demands on site without additional resources. However there is capacity in Caithness General in Wick; Belford Hospital in Fort William and Lorn and Islands in Oban. Waiting times at these sites are also often shorter. We are looking at ways of making best use of all clinical capacity across Highland. It forms part of our Patient Access Policy, which was updated in April 2011.

Pre-operative assessment services
A Pan-Highland review highlighted the need to streamline processes, rationalise documentation and recommended the introduction of a Highland-wide skills competency framework. This re-design work was completed at the end of 2011. It has brought about a range of improvements including increasing day case rates in Belford Hospital from a baseline of 49% in March 2010 to 83% in 2012.

In Raigmore, the Anaesthetic Assessment, Nursing Assessment and administrative functions within the Orthopaedic and General Pre-Operative Assessment Units have been standardised and merged to become one Unit. This has facilitated a 'one-stop' clinic visit for the patient and improved the flow of patient information between clinics to the Pre-Operative Assessment Unit. This has allowed patients to be started on the appropriate Integrated Clinic Pathway (ICP) as well as facilitating timely additions to the waiting list.

Scottish Patient Safety Programme
Work continued during the year showing many areas of improvement including reducing pressure ulcers; falls; surgical site infections and catheter associated urinary tract Infections. Improvements of these key indicators are clearly much better for patients and also significantly reduce costs.

Clinical and care pathways
Some of the issues being considered include reducing clinical variation; the importance of the evidence base; clarity around thresholds for referral; and to achieve consistency in

monitoring agreed pathways. The need to agree definitions and terminology was highlighted and progress the concept of the Quality Hub is being developed to support this work.

Extended community care teams
We have good evidence that well-organised community care teams that are multi-disciplinary and multi-agency can facilitate dramatic reductions in the need to stay in hospital beds. The teams are having an impact both in Community Hospitals as well as Secondary Care.

The patients who are mainly benefiting from the development of these teams are people over the age of 75 years. Many also have a history of falls or unplanned admissions. This approach is being followed in a variety of areas in Highland (urban and rural).

In October 2011, Michael Matheson (Minister for Public Health) met with one of the team and highly commended the approach and progress being made.

Re-design of older adult mental health services in Argyll and Bute
The Argyll and Bute CHP is undertaking a major mental health service re-design project, which will see a significantly increase in community mental health service and a new inpatient facility in Lochgilphead. A full consultation with users, carers, staff and public was carried out on the potential options.

In discussion with the Scottish Futures Trust and Scottish Government's Hub process approval to proceed to the 1st stage was received. Completion of phase 1 will see the initial building design agreed and overall cost estimated. At present we believe that the new hospital will be completed during August 2014.

National dementia care strategy
The Scottish Government published Dementia Care Standards in 2011. There is key drive towards supporting those living with dementia to remain in their own home for as long as it is safe for them to do so. In the Highland Council area, it is estimated that there are around 4000 people living with dementia which is set to double in the next 10 years. Work across Northern Highland area is being progressed to redesign services to ensure compliance with the standards.

Community and community hospital services
Work has progressed during 2011/12 to continue to review and redesign services aligned to our clinical and property strategy. Key issues to be addressed include:

- Ageing population
- Condition of premises and buildings
- Current and future need
- Plans to shift the balance of care
- Review of facilities in line with supporting infrastructure including roads, transport, technology and integration

There has been a wide range of local communications and engagement work to look at options for future configuration of services. These have involved patients, staff, voluntary sector, community representatives and wider public.

Re-design palliative care services in Cowal
A formal options appraisal was carried out around delivering palliative care in the Cowal area. An independent expert was appointed to oversee the work, which is ongoing.

Emergency and Out of Hours
For various reasons we have had to look at potential options for the sustainable provision of out of hours services. In most cases this has been high profile and often contentious. Active

engagement with local people, staff and their representatives needs to be ongoing to make sure the most clinical and cost effective solutions are identified.

Raigmore radiography re-structure and shift implementation
Challenges to sustain robust governance (clinical, staff and financial) for aspects of radiography services were identified. This included issues with compliance with working times directive and out of hours working. During the year a number of changes were implemented:

- new radiography staffing levels
- new shift system to comply with working times directive
- new job descriptions were prepared and adopted
- new management and leadership structure

This re-design work is clinically and more cost effective, delivering direct recurring savings of £300,000 per annum.

Offsite storage
Spending £230,000 per annum, for approximately 36,000 boxes with inconsistent practices, off-site storage was identified as having potential for re-design. Using LEAN tools the Project Team, concluded that if a National Supplier was used it would reduce costs by up to £80,000 per annum. The recommendations are now being implemented.

Partnership working

Integration
In March of this year, we saw the culmination of 15 months of intensive collaboration with the Highland Council to integrate health and social care services. A ground breaking agreement was signed detailing legal, governance and performance management arrangements for the future.

From 1st April 2012, NHS Highland became the lead agency for adult services with the Council taking on children services. This saw 1400 Council staff and £89million transferred to NHS and 200 NHS staff and £8million went across to the Council. A Highland Health and Social Care Partnership has been set up. This brings together, for the first time, within one organisation community, primary, social care and acute services. A DVD was produced to describe and promote the reasons for integrating care. All staff transferring were sent an information pack including the DVD and a letter from the Chief Executive.

There has been an enormous amount of work to get to this point including joint working with voluntary sector, third sector, feed-back from users and carers. During the year many public meetings were held.

Volunteering strategy and community development
Following significant stakeholder involvement a draft outline strategy "*Doing more doing better*" was produced in January. The work was carried out by "*See Change*" on behalf of NHS Highland and the Highland Council.

In July 2011 in partnership with Highland Council we commissioned Scottish Community Development Centre to put together a community development strategy for older people. This was based on the need already identified within the Highland Joint Community Care Plan.

These strategies will be endorsed and implemented early in 2012/13. It is recognised it is only a starting point with considerable ongoing work required to embed the principles of volunteering and working more strategically with the voluntary and 3rd sector.

Carer engagement in rural areas
NHS Highland commissioned the Coalition of Carers and Highland Community Care Forum to make recommendation around how best to develop meaningful carer engagement in rural areas. The findings will be published and promoted early in 2012/13.

Second Highland Lifestyle Survey of young people
In March 2011, the Highland Council in partnership with NHS Highland repeated a survey that provides a snapshot of young people's lifestyles in the Highlands. The survey, first carried out in 2009, included responses from over 5,000 pupils in their last year of primary school and second and fourth years of secondary school. Young people are now eating more fruit and vegetables; there is better uptake of school meals; better oral health habits and a higher proportion saying they did not drink or smoke in the week the survey was carried out. Overall the findings support the view that the great majority of children in the Highlands are happy, healthy and have good family and peer relationships.

Know who to turn to
Working jointly with the Education Department and Eden Court we developed a workshop which was toured around senior schools in Highland. Based on the "*Know who to turn to*" campaign, over 700 people (pupils and teachers) participated. It forms part of the work to help us understand the decisions people make to attend A&E services. The work was funded by Scottish Government.

Tackle the stigma of mental ill-health
In March 2012 eight Highland organisations formally pledged their commitment to work with '*see me*' - Scotland's national campaign. The aim is to help people speak openly and confidently about mental ill-health. The partners are:

(i) The Highland Council, (ii) University of the Highlands and Islands Executive Office, (iii) Inverness College UHI, (iv) Sabhal Mòr Ostaig UHI, (v) Northern Constabulary, (vi) Inverness Caledonian Thistle Football Club, (vi) West Highland College UHI and (vii) NHS Highland.

Clinical advisory group
As part of our Clinical Advisory Structure positive engagement has taken place across many local and national healthcare colleagues and organisations, including Highland Research and Development Office. Areas of focus are on health technologies, treatments and other healthcare developments. This is already delivering positive results leading to more clinical and cost effective practice.

Public relations, engagement and communications
We have carried out an extensive review of engagement and communications work across Highland. The outcome was reported to the Board in February and the strategic approach was endorsed.

Almost 100 delegates from voluntary groups, carer support groups, independent care providers, NHS Highland and The Highland Council met in November to plan how older people can be better cared for in their communities in the future. The event was arranged by the Highland Third Sector Partnership, a group of local organisations funded by the Scottish Government to support voluntary activity and volunteering.

The Board of NHS Highland has always had a strong commitment to involving local people in many aspects of the work carried out by the organisation. This includes members of the public on many of the Board Committees and other individuals who participate in a wide range of Working Groups and other activities. Board Meetings and many other committee meetings are open to the public and papers and minutes are available on the website.

All of the re-design work has involved a wide range of engagement including working groups, reference groups and stake holder feed-back. Delivery and re-design of services including fund raising is also informed, influenced and supported by a range of Patient Participation Groups, Public Partnership Forums, Patient Councils, League of Friends and Highland Health Voices Network.

Some of the other actions implemented during the year included producing "Health Check" an eight page Newspaper which was distributed to every household across the Highland area. A wide range of staff, public members and Board Members were involved in shaping the content.

We also produce and disseminate a wide range of local newsletters and publications. We continue to promote greater use of social media. One example is the "Get Connected Project". Three years after it was originally launched, a Facebook 'like' page was launched which included links to useful local and national services. It includes topics such as leaving home, benefits advice, mental health and wellbeing, stopping smoking and alcohol and drugs.

We continue to use a range of tools to collect feed-back. This year we teamed up with the independent website Patient Opinion www.patientopinion.org.uk. This facility, which is free, is one of a number of ways we gets feed-back from patients. Using Patient Opinion, patients or family members can share their experiences. While the focus should always be to try pick up issues in real time we know that many people don't find it easy to feed-back.

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.

		Limit as set by SGHD £'000	Actual Outturn £'000	Variance Under £'000
	Revenue Resource Limit			
1	Core	542,546	542,463	83
	Non-core	25,237	25,236	1
	Capital Resource Limit			
2	Core	12,738	12,662	76
	Non-core	227	227	0
3	Cash Requirement	608,000	607,224	776

MEMORANDUM FOR IN YEAR OUTTURN	£'000
Brought forward (surplus from previous financial year)	56
Surplus against In Year Revenue Resource Limit	28

Bad debt provision of £276,000 this year (prior year £329,000) 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 2011, 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 2011 could potentially amount to £251,741.

Capital Expenditure

Using the funds made available by the Scottish Government for the year, the Board was able to progress its Capital Investment Strategy, most notably:

North CHP
Provision of Care of the Elderly Sutherland Premises
Provision of Thurso Dental Premises

Mid CHP
Provision of Dingwall Health Centre
Provision Dingwall Dental Premises

Facilities
Primary Care Decontamination
Estate Compliance Works

SE CHP
Provision of Primary Care Premises

Raigmore Hospital
Progression of Day Services Centre (including Renal)
Linear Accelerator
Provision of Angio Cath Lab
Radiology Equipment
MRI Installation
Medical Equipment

A&B CHP
Progression of Mull & Iona Primary Care Centre (anticipated completion August 2012)
Lorn & Islands Hospital, replacement Fluoroscopy equipment
Progression of Oban Dental Access Centre (anticipated completion March 2013)
Islay Hospital installation of replacement fire alarm system
Islay Hospital removal of asbestos
Cowal Community Hospital purchase of an I-STAT analyser

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 Craigs 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 4.4% (prior year – 4.8%)

Personal Data Related Incidents

We have identified 17 missing records over the past year.

Of this 14 instances relate to Children's Services. With further investigation it appears that most of these instances relate to the requesting of records from another Health Board area (even country) when a child moves into our area. The process is that when Child Health are notified of a child moving into the area, contact is made with the child's previous Health Authority(ies) and a request for previous notes is made. If there is no response this is followed up on 2 further occasions. If still no response, this is then recorded on our incident logging system (datix).

3. Performance against Key Non Financial Targets

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 Health Department (SGHD). These targets are known by the acronym HEAT which covers the four key areas of performance measurement. In 2011/12 there were 23 performance measures covering 17 targets

- **H**ealth Improvement – 6 targets (7 performance measures) measuring improvements in life expectancy and healthy life expectancy
- **E**fficiency and Government Improvements – 3 targets (5 performance measures) measuring improvements in the efficiency and effectiveness of the NHS, covering financial, and service aspects.
- **A**ccess to Services – 4 targets (6 performance measures) recognising patients' need for quicker and easier use of NHS services
- **T**reatments appropriate to individuals –4 targets (5 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 SGHD 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 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 i.e. each operational unit consisting of 4 Community Healthcare Partnerships and Raigmore Hospital. 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 2011/12 is attached for information as at the 31st March 2012. For some of the targets we are not able to report the year end position due to the availability of data.

Key
Green - either on or ahead of trajectory
Amber - just behind trajectory – normally 5% off trajectory
Red - more than 5% off trajectory

Highland Health Board

Summary of the Operational Units performance as per the Balanced Scorecard reported to the Improvement Committee on 30th April 2012

Targets with a delivery date by the end of March 2012

Board Position	Target	Month reported	Raigmore	SE Highland	Mid Highland	North	Argyll and Bute	Delivery Date
	Alcohol \Brief Interventions	Feb-12	N/A					Mar-12
	Inequalities Targeted Cardiovascular Health checks	Mar-12	N/A	N/A	N/A		N/A	Mar-12
	Financial Performance	Feb-12						Mar-12
	Cash Efficiencies	Feb-12						Mar-12
	Suspicion of cancer referrals (62days) (Due for Delivery Dec 2010)	Dec-11	Reported at Board Level only					**Dec-11**
	All Cancer Treatment (31days) (Due for Delivery Dec 2010)	Dec-11	Reported at Board Level only					**Dec-11**
	18 weeks Referral to Treatment (Due for Delivery Dec 2010)	Feb-12	Currently reported at Board Level only					**Dec-11**
	Reduction in Emergency bed days for patients aged 75+	Oct-11	N/A					Mar-12

Targets with a delivery date beyond March 2012

Board Position	Target	Month reported	Raigmore	SE Highland	Mid Highland	North	Argyll and Bute	Delivery Date
	Child Healthy Weight Interventions	Feb-12	N/A					Mar-14
	Smoking Cessation - 2 most deprived data zones	Dec-11	N/A	Currently reported at Board Level Only				Mar-14
	Smoking Cessation - general smoking population	Jan-12	N/A					Mar-14
	Child Fluoride Varnish Applications	Sep-12	N/A	Currently reported at Board Level Only				Mar-14

Highland Health Board

	Reduce Carbon emissions	Dec-11	Currently reported at Board Level Only					Mar-15
	Reduce Energy Consumption	Dec-11	Currently reported at Board Level Only					Mar-15
	Drug & Alcohol Treatment: Referral to Treatment	Dec-11	N/A					Mar-13
	Faster Access to Specialist CAMHS	Dec-11						Mar-13
No Trajectory	Faster Access to Psychological Therapies		Trajectory in development					Dec-14
	90% of patients diagnosed with stroke admitted to a stroke unit	Feb-12	Currently reported at Board Level Only					Mar-13
	MRSA/MSSA Bacterium: 30% reduction	Dec-11	Currently reported at Board Level only					Mar-13
	C. Diff Infections: 30% reduction	Dec-11	Currently reported at Board Level only					Mar-13
	Rate of attendances at A&E	Feb-12	Currently reported at Board Level only					Mar-14

NHS Highland - "At A Glance" Standards

Board Position	Target	Month reported	Raigmore	SE Highland	Mid Highland	North	Argyll and Bute	
	Breastfeeding at 6-8 week- Target 36%	Sep-11	N/A					
	MMR uptake rates - target 95% at 5 years old	Dec-11	N/A					
	Sickness Absence - 4% target	Nov-11						N/S
	SMR return rate - 90% of SMR1 returns received within 6 weeks	Jan-12						
	Complaints - 80% of complaints completed within 4 weeks	Jan-12						
	Complaints - No. over 40 working days - Target 0	Jan-12						
	Complaints - No. of complaints received Target less than 15	Jan-12						
	Complaints - No. categorised as High Risk - Target less than 20%	Jan-12						
	Day case rates - Target 78.9%	Feb-12		N/A				

Highland Health Board

	Outpatients - DNA rate - Target 6.9%	Feb-12						
	Reduce Pre Operative stay - Target 0.65 days	Mar-12		N/A				
	New to Return Outpatient attendance Ratio - Target 2.02	Feb-12						
	eKSF & PDP's - Target 80%	Mar-12						
	New Outpatient Waiting times - 12 weeks (all referral sources)	Mar-12		N/A				N/S
	Inpatient/Day Cases Waiting times - 9 weeks	Mar-12		N/A				N/S
	Cataract Waiting Times - assessment - 9 weeks	Mar-12		N/A	N/A	N/A		
	Hip surgery - 98% of patients treated within 24 safe operating hrs	Mar-12		N/A	N/A	N/A	N/A	
	Angiography - 4 week waiting time	Mar-12		N/A	N/A	N/A	N/A	
	Diagnostic tests waiting times - 4 weeks for 8 key tests	Mar-12		N/A				
	A&E Waiting times - 4 hours	Mar-12						N/S
Annual	Advance Booking - GP's							N/S
	Cervical Screening - 80% uptake of 20-60 yr old women screened	Dec-11	N/A					
	Reduce Occupied Bed days for long term conditions	Jul-11	N/A					
	Balance of care for Older People with complex care need	Jun-11	Reported at Board Level only					
	Delayed Discharges - no clients waiting over 6 weeks	Feb-12						N/S
	Dementia (**Unvalidated** - validated position available annually)	Mar-12	N/A					N/S

N/S : National Standard

Highland Health Board

Sustainability and Environmental Report 2011-2012

Overview

As NHS Highland achieved the overall best levels of performance in phase I of the national HEAT Targets within NHS Scotland, it was considered a good time to review our Carbon Management Plan (CMIP) in order to set out how we would continue to improve our Carbon standing. As this was drafted as part of the Carbon Trust's Carbon Management Programme in 2009, much had changed in terms of legislation, penalties and methods of operating within NHS Highland.

Fortunately the Carbon Trust also sponsored our review for 50% of the costs – along with identifying a range of supporting software and specialist consultants. The opportunity was also taken to have the revised CMIP more robust than its predecessor by including Waste and Transport along with the Core Water and Energy aspects of the business. Whilst an estimated 56% of total Carbon emissions of NHS operations are generated by Procurement, there are difficulties in gathering options for improvement in this area and a more national view is sought.

An expansion of the CMIP content, and targets for improvement, has proven very timely. The Scottish Government's recent CEL on Sustainability necessitates a more holistic governance of the Carbon emissions of NHS bodies. Thus internally a strong and wider Carbon Management Board will be key to both meet the needs of the CMIP and the needs of the CEL. Implementing the CMIP will require many changes in attitude, day to day management and culture of the organisation BUT the sections that follow outline the benefits to the organisation and the frontline services if NHS Highland fully embraces the challenges ahead.

Greenhouse Gases & Cost

Nationally our location is credited/adjusted for being in the colder parts of Scotland when reporting our performance on Energy within NHS Scotland. For the UK Government's Carbon Reduction Commitment Scheme (CRC), no such allowance is made. Overall within 2010-11 NHS Highland's hospital sites reverted to over 30,000 tonnes of CO2 emissions (tCO2e) from its Heat and Power. This was a slide backwards relative to recent progress and reflected the impact of the very cold winter that year. During 2011-12 however, with its milder winter, this reduced to approx. tCO2e for our Hospitals – a drop of almost 10% on the previous year.

As of this year there is a financial impact to the Carbon footprint via the CRC scheme – where a charge of £12/tCO2e is imposed. This means that for the year ahead there is a reduction of funds available for healthcare of £350,000. This rate per tonne of CO2e is due to increase by almost 20% each year until 2020 – with a charge then estimated to be £30/tCO2e. This is a significant driver for NHS Highland to implement the revised CMIP to full and efficient effect.

What now? The year ahead offers the opportunity of making a radical impact on both the overall Carbon footprint AND the start of implementing the actions within the CMIP. NHS Highland is currently very highly dependent on Oil as a means of heating. Burning oil, at over 2000 ^{o}C, to provide an internal temperature of 22 degrees comes at a high cost, both financially and in relation to the Carbon emissions... But a Plan is in hand.

Raigmore Hospital and Staff Accommodation within the Hospital equate to over 3 million litres of Oil being burned for Heat each and every year. The Scottish Government is supportive of the move away from such a high consumption to alternatives, preferably renewable. As such NHS Highland has begun a Capital Programme to take over 85% of the Oil dependence away and replace by the almost Carbon neutral Biomass equivalent.

Saving over **20%** of total carbon emissions – and the CRC penalty of at least £72,000/yr. In the process, since Biomass is much cheaper than Oil to make the Heat required, an overall financial saving is expected of over £1 million/yr.

Heat is not the only Carbon emissions source we have to consider. Electrical power equates to approximately 50% of our current footprint. How to make reductions in this area are a little more complex. One option is to offset through generating our own – i.e. through the likes of Solar P.V. Wind and Hydro renewable schemes. During 2011-12 NHS Highland broke the mould re approaching this opportunity in NHS Scotland by entering into a partnership agreement with Scottish and Southern Energy (SSE). They took advantage of the Feed In Tariff payments (FITs) and invested in 2 large Solar Schemes on the New Migdale Hospital and the Royal Northern Infirmary. This provides NHS Highland with approx. 75,000kWh/yr of free electricity before we have to take from the grid. This saves us money financially and also reduces the Carbon footprint but almost 400 tCO2e/yr (and the CRC taxation related to this).

The year ahead offers the opportunity to revisit this option as well as many others. Support for addressing the challenges, many of which will require innovative approaches and a cultural shift to implement, is essential. The prize on offer is for NHS Highland to be reducing its Carbon footprint by some 40% over the coming 3 yrs – making it likely to be the most environmentally friendly Public Sector organisation in Scotland and potentially the whole of the UK. What come with Carbon reductions is proportional reductions in cost and also reductions in CRC Taxation. In times where Public Sector organisations are being asked to have 3% or less reductions per year NHS Highland has the opportunity to truly become the market leader.

Emissions, directly or indirectly related to Waste, Water and Transport are also likely to reduce if the revised CMIP is delivered upon. This may be a slow change in the short term (say over the next year) but overall the journey has most certainly begun.

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) 2012 – 1).

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

Garry Coutts, Chair
Bill Brackenridge, Non Executive Director
Pam Courcha, Non Executive Director
Michael Evans, Non Executive Director
Ian Gibson, Vice Chair
Gillian McCreath, Non Executive Director
Okain McLennan, Non Executive Director
Colin Punler, Non Executive Director
Ray Stewart, Employee Director

Performance Related Pay has been processed in the year end for 2011/2012.

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

Highland Health Board

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION – CURRENT YEAR (Audited Information)

	Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000	Cash Equivalent Transfer Value (CETV) prior year (nearest £,000)	Cash Equivalent Transfer Value (CETV) current year (nearest £'000)	Real increase in CETV in year	Benefits in kind (rounded to nearest £100)
Remuneration of Executive Members								
Chief Executive: E Mead	125 -130	0 - 0	0 – 2,500	10 – 15 plus 30 - 35 lump sum	143	188	45	3.0
Director of Public Health: M Somerville	130 -135	0 – 0	0 – 2,500	0 – 5 plus 05 – 10 lump sum	35	72	37	0
Director of Finance: M Iredale to 30/09/11	50 - 55	0 – 0	0 – 2,500	0	860	0	0	0.5
Interim Director of Finance: D Garden from 01/10/11 to 31/12/11	20 - 25	0 – 0	0	0	0	0	0	0.1
Director of Finance: N Kenton from 05/01/12	20 - 25	0 – 0	5,000 – 7,500	5 – 10 plus 15 – 20 lump sum	0	98	98	0
Medical Director: I Bashford	180 -185	0 – 0	0 – 2,500	5 – 10 plus 20 – 25 lump sum	120	183	63	0
Nursing Director: H May	90 - 95	0 – 0	0 – 2,500	5 – 10 plus 20 – 25 lump sum	82	111	29	0
Director of Human Resources: A Gent	100 -105	0 - 0	0 – 2,500	35 - 40 plus 105 – 110 lump sum	639	706	67	3.0
Non Executive Members								
The Chair: G Coutts	25 – 30	0 – 0	0	0	0	0	0	2.5
R Stewart	*45 – 50	0 – 0	0 – 2,500	5 – 10 plus 25 – 30 lump sum	127	151	24	0
I Gibson	10 – 15	0 – 0	0	0	0	0	0	3.8
P Courcha (retired 31/03/12)	05 – 10	0 – 0	0	0	0	0	0	0.6
V Shelley	05 – 10	0 – 0	0	0	0	0	0	0.7
Q Cox (until 03/09/11)	0 – 05	0 – 0	0	0	0	0	0	0
W Brackenridge	10 – 15	0 – 0	0	0	0	0	0	2.5
O McLennan	10 – 15	0 – 0	0	0	0	0	0	1.0
G McCreath	10 – 15	0 – 0	0	0	0	0	0	0
C Punler	10 – 15	0 – 0	0	0	0	0	0	1.2
E Robertson	05 – 10	0 – 0	0	0	0	0	0	1.0
M Davidson	05 – 10	0 – 0	0	0	0	0	0	0
S Wedgwood	05 – 10	0 – 0	0	0	0	0	0	2.3
M N Evans	10 – 15	0 – 0	0	0	0	0	0	0
R Creelman (appointed 01/04/11)	05 – 10	0 – 0	0	0	0	0	0	2.6
I Kennedy (appointed 01/10/11)	0 - 05	0 – 0	0	0	0	0	0	0

Highland Health Board

	Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000	Cash Equivalent Transfer Value (CETV) prior year(nearest £'000)	Cash Equivalent Transfer Value (CETV) current year(nearest £'000)	Real increase in CETV in year	Benefits in kind (rounded to nearest £100)
Other Snr Employees								
J M Baird	75 - 80	0 – 0	0 – 2,500	5 – 10 plus 25 – 30 lump sum	167	195	28	0.1
M Brown	70 -75	0 – 0	0 – 2,500	10 15 plus 30 – 35 lump sum	174	208	34	0
L Kirkland	65 - 70	0 – 0	0 – 2,500	10 -15 plus 40 -45 lump sum	222	260	38	0
K Oliver	50 - 55	0 – 0	0 – 2,500	10 -15 plus 35 -40 lump sum	139	183	44	1.8
W T Reid	75 - 80	0 – 0	0 – 2,500	25 – 30 plus 75 – 80 lump sum	462	511	49	0
M Thompson	45 - 50	0 – 0	0 – 2,500	0 – 5 plus 10 -15 lump sum	54	77	23	0
L Vannan	70 - 75	0 – 0	0 – 2,500	15 -20 plus 55 – 60 lump sum	305	350	45	0
Total					**3,529**	**3,293**	**624**	**26.7**

*The employee director salary includes 35,000 – 40,000 in respect of non board duties

PRIOR YEAR (Audited Information)

Remuneration of:								
Executive Members								
Chief Executive: E Mead from 24/01/11 Chief Operating Officer to 23/01/11	125 - 130	0 - 0	0 – 2,500	5 – 10 plus 25 - 30 lump sum	131	143	12	2.8
Chief Executive: R Gibbins to 23/01/11	115 - 120	0 – 0	0	0	0	0	0	1.2
Director of Public Health: M Somerville	120 - 125	0 – 0	0 – 2,500	0 – 5 plus 0 – 5 lump sum	1	35	34	0
Director of Finance: M Iredale	105 - 110	0 – 0	0 – 2,500	40 – 45 plus 120 - 125 lump sum	896	860	(36)	1.8
Medical Director: I Bashford	140 - 145	0 – 0	0 – 2,500	5 – 10 plus 15 – 20 lump sum	114	120	6	0
Nursing Director: H May	90 – 95	0 – 0	0 – 2,500	5 – 10 plus 15 – 20 lump sum	78	82	4	0
Director of Human Resources: A Gent	100 – 105	0 - 0	0	30 - 35 plus 100 – 105 lump sum	676	639	(36)	3.1
Non Executive Members								
The Chair: G Coutts	25 – 30	0 – 0	0	0	0	0	0	2.0
R Stewart	*45 – 50	0 – 0	0 – 2,500	5 – 10 plus 25 – 30 lump sum	135	127	(8)	0
I Gibson	10 - 15	0 – 0	0	0	0	0	0	2.9
A Bethune (retired 31/07/10)	00 – 05	0 – 0	0	0	0	0	0	1.0

Highland Health Board

PRIOR YEAR (Audited Information)

	Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000	Cash Equivalent Transfer Value (CETV) prior year (nearest £'000)	Cash Equivalent Transfer Value (CETV) current year (nearest £'000)	Real increase in CETV in year	Benefits in kind (rounded to nearest £100)
P Courcha	10 - 15	0 – 0	0	0	0	0	0	0.8
D Alston (retired 31/03/11)	05 – 10	0 – 0	0	0	0	0	0	0.4
V Shelley	05 – 10	0 – 0	0	0	0	0	0	0.8
A Clark (retired 31/05/10)	0 – 5	0 – 0	0	0	0	0	0	0.3
Q Cox	05 - 10	0 – 0	0	0	0	0	0	0.0
W Brackenridge	10 - 15	0 – 0	0	0	0	0	0	2.3
O McLennan	10 - 15	0 – 0	0	0	0	0	0	1.4
G McCreath	10 - 15	0 – 0	0	0	0	0	0	0.0
C Punler	10 – 15	0 – 0	0	0	0	0	0	1.4
E Robertson	05 – 10	0 – 0	0	0	0	0	0	0.9
M Davidson	05 - 10	0 – 0	0	0	0	0	0	0.0
S Wedgwood (appointed 01/08/10)	05 - 10	0 – 0	0	0	0	0	0	0.9
M N Evans (appointed 01/08/10)	05 - 10	0 – 0	0	0	0	0	0	0.0
Other Snr Employees								
W T Reid	75 - 80	0 – 0	0 – 2,500	20 – 25 plus 70 – 75 lump sum	482	462	(20)	0
J M Baird	70 - 75	0 – 0	0 – 2,500	5 – 10 plus 20 – 25 lump sum	159	167	8	0.1
Total					**2,672**	**2,635**	**(36)**	**24.1**

*The employee director salary includes 35,000 – 40,000 in respect of non board duties

2011 – 12		**2010 - 11**	
Highest Earning Director's Total Remuneration (£000s)	160 – 165	Highest Earning Director's Total Remuneration (£000s)	125 - 130
Median Total Remuneration	23,895	Median Total Remuneration	24,079
Ratio	6.80	Ratio	5.30

Commentary

Movement in the year relates to the delay by Scottish Government in agreeing Medical Directors Remuneration, back dated award relates to three years. The main remuneration report includes employer's superannuation whereas it is excluded when calculating the median data and the highest earning Director's total remuneration.

By order of the board

19.6...2012 Elaine Mead.... Chief Executive

HIGHLAND HEALTH BOARD

ANNUAL ACCOUNTS 2011/12

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 19 June 2012

HIGHLAND HEALTH BOARD

ANNUAL ACCOUNTS 2011/12

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 2011 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 19 JUNE 2012

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.

Governance Framework

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

The Boards key 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 years and an outline of NHS Highland's workforce plan. The Local Delivery Plan is agreed with the Scottish Government Health Department 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 including financial breakeven.

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 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. A summary of the key points discussed at the Board meeting is included as part of a wider briefing paper that is circulated across a wide range of community groups across the area, including local councillors and local MSP's. 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 executives and non executives' 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. The Board also holds regular development sessions with its members.

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 over the past 18 months whilst we prepared for integration of adult social care within NHS Highland from Highland Council and elements of children's services from NHS Highland to Highland Council.

NHS Highland has complied with the UK Corporate Governance Code 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 it's adequacy to the committee including reliance on their work to inform their year-end audit report to the Board.
The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year.
This includes planning for the Integration of Health & Social Care within the Highlands. The Committee has reviewed updates to the Risk register and amendments to the Internal Audit plans to take account of risks with the implementation and those inherited risks transferred.

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 has been used to assess the effectiveness of this throughout the Board.

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.

In discharging the management of risk, NHS Highland has delegated the function of risk governance to the Governance Committees. Each committee has a responsibility to provide assurance to the NHS Board in respect of the risks that fall within its specific remit. Each committee has further responsibility to encourage managers to ensure the dissemination of learning across NHS Highland from adverse events and near misses. In particular, the Audit Committee has a role in seeking assurance that an effective Risk Management system is in place

NHS Highland has established a Risk Management Steering Group whose role is to provide re-assurance to the NHS Board that all systems, processes and procedures relating to Risk Management are operated in an appropriate manner. This duty is discharged through directing and integrating the relevant work within the Board's Governance Committees, with input from Executive Groups.
Each Director and their management team has responsibility to implement local arrangements which accord with the principles and objectives set out in the Risk Management Strategy.

More generally, the organisation is committed to continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March and up to the signing of the accounts, the organisation has:

Altered Risk management arrangements in line with recommendations made in the Internal Audit Report on Risk Management Systems carried out in August 2011.
The Risk Register was reviewed and presented to the NHS Highland Board and this process identified a very high risk, namely:-
Without full involvement and engagement with the large scale projects and service redesigns of the Board, these projects may be difficult to deliver.
To mitigate this, a Communication and Engagement Plan has been considered by the NHS Highland Board in June 2012.

Disclosures

A review of the Managed Services Contract signed by the Board in August 2010 identified internal control weaknesses in relation to the contract management. This was reported to the Audit Committee and although having no material impact on these accounts the report identified areas where improvement was necessary:-
a robust contract management process is required to review contract performance of the contractor
negotiations with the contractor should be undertaken to resolve performance issues and legal advice should be sought regarding the contractual agreement in place.
A management plan, covering these areas, has been agreed by the Audit Committee and is being actioned.

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 Elaine Mead 19 June 2012 Date

Chief Executive

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 NHS Highland for the year ended 31 March 2012 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure and Resource Outturn Statement, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 board's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 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 and Directors' Report 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 O'Hagan
Assistant Director
Audit Scotland
7th floor, Plaza Tower
EAST KILBRIDE
G74 1LW
19 June 2012

Highland Health Board

STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND RESOURCE OUTTURN STATEMENT for the year ended 31 March 2012

Restated 2011 £'000		Note	2012 £'000
	Clinical Services Costs		
465,734	Hospital and Community	4	476,219
33,523	Less: Hospital and Community Income	8	32,136
432,211			444,083
160,581	Family Health	5	158,390
4,333	Less: Family Health Income	8	3,129
156,248			155,261
588,459	**Total Clinical Services Costs**		**599,344**
5,371	Administration Costs	6	4,980
35	Less: Administration Income	8	115
5,336			4,865
17,622	Other Non Clinical Services	7	12,884
17,521	Less: Other Operating Income	8	11,102
101			1,782
593,896	**Net Operating Costs**	SOCTE	**605,991**
	OTHER COMPREHENSIVE NET EXPENDITURE		
2,390	Net (gain)/loss on revaluation of Property Plant and Equipment		(7,845)
596,286	**Total Comprehensive Expenditure**		**598,146**

Highland Health Board

SUMMARY OF CORE REVENUE RESOURCE OUTTURN for the year ended 31 March 2012	£'000
Net Operating Costs	**605,991**
Total Non Core Expenditure (see below)	(25,236)
FHS Non Discretionary Allocation	(38,543)
Donated Asset Income	251
Total Core Expenditure	**542,463**
Core Revenue Resource Limit	542,546
Saving against Core Revenue Resource Limit	**83**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN	
Capital Grants to Other Bodies	380
Depreciation/Amortisation	14,325
Annually Managed Expenditure - Impairments	876
Annually Managed Expenditure - Creation of Provisions	2,047
Annually Managed Expenditure - Depreciation of Donated Assets	210
IFRS PFI Expenditure	7,398
Total Non Core Expenditure	**25,236**
Non Core Revenue Resource Limit	25,237
Saving against Non Core Revenue Resource Limit	**1**

SUMMARY RESOURCE OUTTURN	Resource	Expenditure	Saving/(Excess)
	£'000	£'000	£'000
Core	542,546	542,463	83
Non Core	25,237	25,236	1
Total	**567,783**	**567,699**	**84**

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts.

Highland Health Board

BALANCE SHEET as at 31 March 2012

Restated 2010 £'000	Restated 2011 £'000		Note	2012 £'000
		Non-current assets:		
299,600	310,147	Property, plant and equipment	11	315,432
2,369	2,460	Intangible assets	10	1,805
		Financial assets:		
17,450	13,308	Trade and other receivables	13	13,080
319,419	**325,915**	**Total non-current assets**		**330,317**
		Current Assets:		
4,930	5,090	Inventories	12	5,279
		Financial assets:		
11,783	13,535	Trade and other receivables	13	13,987
67	107	Cash and cash equivalents	14	87
277	145	Assets classified as held for sale	11c	120
17,057	**18,877**	**Total current assets**		**19,473**
336,476	**344,792**	**Total assets**		**349,790**
		Current liabilities		
(2,028)	(3,124)	Provisions	16	(1,966)
		Financial liabilities:		
(58,001)	(53,247)	Trade and other payables	15	(49, 621)
(60,029)	**(56,371)**	**Total current liabilities**		**(51,587)**
276,447	**288,421**	**Non-current assets plus/less net current assets/liabilities**		**298,203**
		Non-current liabilities		
(12,262)	(8,347)	Provisions	16	(9,993)
		Financial liabilities:		
(39,328)	(38,125)	Trade and other payables	15	(37,064)
(51,590)	**(46,472)**	**Total non-current liabilities**		**(47,057)**
224,857	**241,949**	**Total Assets less liabilities**		**251,146**
		Taxpayers' Equity		
133,644	153,288	General fund	SOCTE	154,647
91,213	88,661	Revaluation reserve	SOCTE	96,499
224,857	**241,949**	**Total taxpayers' equity**		**251,146**

Adopted by the Board on ....19. JUNE.....2012

.....Director of Finance

.....Chief Executive

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts

Highland Health Board

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2012

2011 £'000		Note	2012 £'000
	Cash flows from operating activities		
(593,896)	Net operating cost	SOCNE	(605,991)
15,868	Adjustments for non-cash transactions	3	15,846
3,202	Add back: interest payable recognised in net operating cost	3	3,267
2,363	(Increase) / decrease in trade and other receivables	17	(223)
(150)	(Increase) in inventories	17	(189)
(5,131)	(Decrease) in trade and other payables	17	(3,524)
(2,819)	Increase / (decrease) in provisions	17	488
(580,563)	**Net cash outflow from operating activities**		**(590,326)**
	Cash flows from investing activities		
(27,900)	Purchase of property, plant and equipment		(13,092)
(790)	Purchase of intangible assets		(49)
453	Proceeds of disposal of property, plant and equipment		593
(28,237)	**Net cash outflow from investing activities**		**(12,548)**
	Cash flows from financing activities		
613,241	Funding	SOCTE	607,351
161	Movement in general fund working capital	SOCTE	(127)
613,402	Cash drawn down		607,224
(1,239)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1,210)
(1)	Interest paid	3	(46)
(3,201)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(3,221)
608,961	**Net Financing**		**602,747**
161	**Net Increase / decrease in cash and cash equivalents in the period**		**(127)**
(54)	**Cash and cash equivalents at the beginning of the period**		107
107	**Cash and cash equivalents at the end of the period**		**(20)**
	Reconciliation of net cash flow to movement in net debt/cash		
161	Increase in cash in year		(127)
(54)	Net debt at 1 April	14	107
107	**Net (debt)/cash at 31 March**	14	**(20)**

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts.

Highland Health Board

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2012

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£'000	£'000	£'000	£'000
Balance at 31 March 2011		153,288	88,661	0	241,949
Changes in taxpayers' equity for 2011/12					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	7,845	0	7,845
Impairment of property, plant and equipment	11	0	(876)	0	(876)
Revaluation of Assets held for sale	11c	0	(8)	0	(8)
Revaluation & impairments taken to operating costs	3	0	876	0	876
Transfers between reserves		(1)	1	0	0
Net operating cost for the year		(605,991)	0	0	(605,991)
Total recognised income and expense for 2011/12		(605,992)	7,838	0	(598,154)
Funding:					
Drawn down		607,224	0	0	607,224
Movement in General Fund (Creditor)	BS	127	0	0	127
Balance at 31 March 2012		**154,647**	**96,499**	**0**	**251,146**

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts.

Highland Health Board

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
Restated

		General Fund £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Total Reserves £'000
Balance at 31 March 2010		**130,928**	**91,203**	**2,726**	**224,857**
Prior year adjustments for changes in accounting policy and material errors	24	2,716	10	(2,726)	**0**
Restated balance at 1 April 2010		**133,644**	**91,213**	**0**	**224,857**
Changes in taxpayers' equity for 2010/11					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	(2,390)	0	(2,390)
Impairment of property, plant and equipment	11	0	(907)	0	(907)
Revaluation & impairments taken to operating costs	3	0	1,044	0	1,044
Release of reserves to the statement of comprehensive net expenditure		0	0	0	0
Transfers between reserves		299	(299)	0	0
Net operating cost for the year		(593,896)	0	0	(593,896)
Total recognised income and expense for 2010/11		(593,597)	(2,552)	0	(596,149)
Funding:					
Drawn down		613,402	0	0	613,402
Movement in General Fund Debtor		(161)	0	0	(161)
Balance at 31 March 2011	BS	**153,288**	**88,661**	**0**	**241,949**

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts.

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 31 below.

(a) Standards, amendments and interpretations effective in 2011-12

There are no new standards, amendments or interpretations effective for the first time in 2011-12.

(b) Standards, amendments and interpretation early adopted in 2011-12

There are no new standards, amendments or interpretations early adopted in 2011-12.

2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the Highland NHS Board Endowment Funds. Transactions between the Board and the Highland NHS Board Endowment Funds are disclosed as related party transactions, where appropriate, in note 27 to the financial statements.

3. Prior Year Adjustments

There are two prior year adjustments that will impact on some NHS Boards – the elimination of the Donated Asset Reserve and the Transfer of Prisoner Healthcare to NHS Scotland. These disclosures are necessary due to legislative changes for which the following disclosures are required:

- Nature (change in NHS financial regime following elimination of the Donated Asset reserve and the transfer of responsibility of Prisoner Healthcare to NHS Scotland.)
- Reasons (properly reflect revised costs under current financial regime.)
- Quantification (the cost of donated asset reserve £2,726,000, prisoner healthcare of £499,000 for 2010-11 has been adjusted in the comparative figures in the Statement of Comprehensive Net Expenditure, Balance Sheet, Cash Flow Statement and Statement of Changes in Taxpayers Equity together with Notes 2, 3, 4, 8, 12, 13 and 15).

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 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 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.

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

Gains and losses recognised in the revaluation reserve 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. They are assessed in the context of the maximum useful lives for building elements.

5) Equipment is depreciated over the estimated life of the asset.

6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Moveable engineering plant and equipment and long-life medical equipment	15
Furniture and medium-life medical equipment	10
Mainframe information technology installations	8
Vehicles and soft furnishings	7
Office, information technology, short-life medical and other equipment	5

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

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.

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.

Decreases in asset values and 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. Permanent impairments are charged to the Statement of Changes in Taxpayers Equity.

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
Software	5
Software Licences	5

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

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;

- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and

- The actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

10. Donated Assets

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

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

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

12. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to interest payable in the Statement of Comprehensive Net Expenditure.

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.

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.

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 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 27 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

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 Schemes

PFI/PPP transactions are accounted for in accordance with the HM Treasury application of IFRIC 12, Service Concession Arrangements, which sets out how they should be accounted for in the private sector.

Schemes which do not fall within the HM Treasury 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.

PFI 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 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 18 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 18, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

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

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

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

(b) Loans and receivables

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

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 Scotland becomes party to the contractual provisions of the financial instrument.

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

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

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

(b) Other financial liabilities

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

26. Segmental reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health 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 29 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgment and estimation uncertainty

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

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

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.

NOTES TO THE ACCOUNTS
For the year ended 31st March 2012
2. (a) STAFF NUMBERS AND COSTS

Restated 2011 £'000		Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total 2012 £'000
	STAFF COSTS							
239,785	Salaries and wages	651	158	238,802	0	3,644	(1,055)	242,200
18,390	Social security costs	74	9	18,770	0	0	(103)	18,750
27,540	NHS scheme employers' costs	86	0	27,531	0	0	(129)	27,488
317	Inward secondees	0	0	0	407	0	0	407
4,591	Agency staff	0	0	0	0	3,669	0	3,669
290,623	**TOTAL**	**811**	**167**	**285,103**	**407**	7,313	**(1,287)**	**292,514**
156	Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							34
ANNUAL MEAN	**STAFF NUMBERS**							**ANNUAL MEAN**
90.4	Administration Costs							83.5
7,195.1	Hospital and Community Services							7,087.6
91.9	Non Clinical Services							76.3
6.4	Inward secondees							8.1
37.0	Agency staff							32.1
(34.1)	Outward Secondees							(31.5)
7,386.7	**Board Total Average Staff**							**7,256.1**
199.0	Disabled staff							165.0
3.1	The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:							0.8

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in note 23

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

2011 Number				2012 Number
	Other employees whose remuneration fell within the following ranges:			
	Clinicians			
126	£ 50,001	to	£60,000	123
55	£ 60,001	to	£70,000	61
35	£ 70,001	to	£80,000	36
34	£ 80,001	to	£90,000	40
31	£ 90,001	to	£100,000	34
35	£100,001	to	£110,000	29
22	£110,001	to	£120,000	19
34	£120,001	to	£130,000	33
12	£130,001	to	£140,000	24
27	£140,001	to	£150,000	21
9	£150,001	to	£160,000	11
5	£160,001	to	£170,000	11
2	£170,001	to	£180,000	1
5	£180,001	to	£190,000	1
2	£190,001	to	£200,000	1
1	£200,001	and above		1
	Other			
34	£ 50,001	to	£60,000	30
17	£ 60,001	to	£70,000	15
6	£ 70,001	to	£80,000	7
2	£ 80,001	to	£90,000	3
3	£ 90,001	to	£100,000	1
1	£100,001	to	£110,000	0
1	£110,001	to	£120,000	1
0	£120,001	to	£130,000	0
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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

3. OTHER OPERATING COSTS

Restated 2011 £'000		Note	2012 £'000
	Expenditure Not Paid In Cash		
14,219	Depreciation	11	14,582
699	Amortisation	10	704
172	Depreciation Donated Assets		210
1,003	Impairments on property, plant and equipment charged to SOCNE	11	876
41	Revaluation loss on property, plant and equipment charged to SOCNE	11	0
(132)	Funding Of Donated Assets		(251)
(134)	(Profit) on disposal of property, plant and equipment		(275)
15,868	**Total Expenditure Not Paid In Cash**	CFS	**15,846**
	Interest Payable		
1	Interest on late payment of commercial debt		1
2,926	PFI Finance lease charges allocated in the year	22	2,862
275	Other Finance lease charges allocated in the year		359
0	Provisions - Unwinding of discount		45
3,202	**Total**		**3,267**
	Statutory Audit		
276	External auditor's remuneration and expenses		241

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

Restated 2011 £'000	BY PROVIDER	2012 £'000
375,674	Treatment in Board area of NHSScotland Patients	385,127
62,712	Other NHSScotland Bodies	63,578
635	Health Bodies outside Scotland	828
5	Primary care bodies	6
3,022	Private sector	3,037
	Community Care	
16,207	Resource Transfer	16,407
5,428	Contributions to Voluntary Bodies and Charities	5,243
463,683	**Total NHSScotland Patients**	**474,226**
2,051	Treatment of UK residents based outside Scotland	1,993
465,734	**Total Hospital & Community Health Service** SOCNE	**476,219**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

5. FAMILY HEALTH SERVICE EXPENDITURE

2011 £'000		Note	Unified Budget £'000	Non Disc £'000	2012 TOTAL £'000
58,489	Primary Medical Services		57,569	0	57,569
70,967	Pharmaceutical Services		58,941	10,596	69,537
26,195	General Dental Services		150	25,943	26,093
4,930	General Ophthalmic Services		139	5,052	5,191
160,581	**Total**	SOCNE	**116,799**	**41,591**	**158,390**

6. ADMINISTRATION COSTS

2011 £'000			2012 £'000
		Note 2	
1,061	Board members' remuneration	(a)	978
112	Administration of Board Meetings and Committees		140
1,326	Corporate Governance and Statutory Reporting		1,189
1,827	Health Planning, Commissioning and Performance Reporting		1,738
551	Treasury Management and Financial Planning		515
480	Public Relations		407
14	Other		13
5,371	**Total administration costs**	SOCNE	**4,980**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

7. OTHER NON CLINICAL SERVICES

2011 £'000			2012 £'000
23	Closed hospital charges		16
5,784	Compensation payments - Clinical		355
303	Compensation payments - Other		83
1,206	Pension enhancement & redundancy		1,802
266	Patients' Travel Attending Hospitals		276
2,421	Patients' Travel Highlands and Islands scheme		2,703
1,701	Health Promotion		1,559
3,631	Public Health		3,089
92	Public Health Medicine Trainees		113
1	Emergency Planning		0
608	Post Graduate Medical Education		344
299	Shared Services		222
0	Loss on disposal of non-current assets		150
1,287	Other		2,172
17,622	**Total Other Non Clinical Services**	SOCNE	**12,884**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

8. OPERATING INCOME

Restated 2011 £'000			2012 £'000
	HCH Income		
	NHSScotland Bodies		
23,239	Boards		22,594
2,564	NHS Non-Scottish Bodies		2,586
	Non NHS		
358	Private Patients		396
977	Compensation Income		751
6,385	Other HCH income		5,809
33,523	**Total HCH Income**	SOCNE	**32,136**
	FHS Income		
1,344	Unified		81
	Non Discretionary		
2,981	General Dental Services		3,041
8	General Ophthalmic Services		7
4,333	**Total FHS Income**	SOCNE	**3,129**
35	**Administration Income**	SOCNE	**115**
	Other Operating Income		
3,145	NHS Scotland Bodies		2,297
0	NHS Non-Scottish Bodies		0
56	SGHSCD		68
6,259	Contributions in respect of Clinical/medical negligence claims		429
134	Profit on disposal of non current assets		426
132	Donated Asset Additions		251
7,795	Other		7,631
17,521	**Total Other Operating Income**	SOCNE	**11,102**
55,412	**Total Income**		**46,482**
26,384	**Of the above, the amount derived from NHS bodies is**		**24,891**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

9. ANALYSIS OF CAPITAL EXPENDITURE

2011 £'000		Note	2012 £'000
	EXPENDITURE		
790	Acquisition of Intangible Assets	10	49
28,309	Acquisition of Property, Plant and Equipment	11a	13,139
132	Donated Asset Additions	11b	251
29,231	**Gross Capital Expenditure**		**13,439**
	INCOME		
203	Net book value of disposal of Property, Plant and Equipment	11a	154
3	Net book value of disposal of Donated Assets	11b	0
132	Value of disposal of Non-Current Assets held for sale	11c	145
132	Donated Asset Income		251
470	**Capital Income**		**550**
28,761	**Net Capital Expenditure**		**12,889**

	SUMMARY OF CAPITAL RESOURCE OUTTURN	
28,657	Core Capital Expenditure included above	12,662
28,657	Core Capital Resource Limit	12,738
0	**Saving/(excess) against Core Capital Resource Limit**	**76**
104	Non Core Capital Expenditure included above	227
104	Non Core Capital Resource Limit	227
0	**Saving/(excess) against Non Core Capital Resource Limit**	**0**
	Total Capital Expenditure	
28,761	Total Capital Resource Limit	12,889
28,761		12,965
0	**Saving against Capital Resource Limit**	**76**

NOTES TO THE ACCOUNTS

for the year ended 31 March 2012

10. INTANGIBLE ASSETS

		Software Licences	Information technology - software	Total
		£'000	£'000	£'000
Cost or Valuation:				
As at 1st April 2011		**326**	**4,049**	**4,375**
Additions		0	49	49
Disposals		0	(454)	(454)
At 31st March 2012		**326**	**3,644**	**3,970**
Amortisation				
As at 1st April 2011		**47**	**1,868**	**1,915**
Provided during the year		65	639	704
Disposals		0	(454)	(454)
At 31st March 2012		**112**	**2,053**	**2,165**
Net Book Value at 1st April 2011		**279**	**2,181**	**2,460**
Net Book Value at 31 March 2012	B S	**214**	**1,591**	**1,805**

10. INTANGIBLE ASSETS, cont. - PRIOR YEAR

		Software Licences	Information technology - software	Total
		£'000	£'000	£'000
Cost or Valuation:				
As at 1st April 2010		**192**	**3,393**	**3,585**
Additions		134	656	790
At 31st March 2011		**326**	**4,049**	**4,375**
Amortisation				
As at 1st April 2010		**9**	**1,207**	**1,216**
Provided during the year		38	661	699
At 31st March 2011		**47**	**1,868**	**1,915**
Net Book Value at 1st April 2010		**183**	**2,186**	**2,369**
Net Book Value at 31 March 2011	B S	**279**	**2,181**	**2,460**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

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

		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 2011		**19,603**	**246,546**	**5,908**	**1,460**	**44,678**	**10,006**	**3,424**	**15,522**	**347,147**
Additions		0	227	0	0	5	0	0	12,907	13,139
Completions		150	16,628	0	0	3,243	36	192	(20,249)	0
Transfers (to)/from non-current assets held for sale		(35)	0	(100)	0	0	0	0	0	(135)
Revaluation		15	3,457	32	0	0	0	0	153	3,657
Impairment Charge		0	(882)	0	0	0	0	0	0	(882)
Disposals		0	0	0	(52)	(2,345)	(1,975)	(55)	0	(4,427)
At 31 March 2012		**19,733**	**265,976**	**5,840**	**1,408**	**45,581**	**8,067**	**3,561**	**8,333**	**358,499**
Depreciation										
At 1 April 2011		**0**	**6,700**	**110**	**1,197**	**24,366**	**5,963**	**1,416**	**0**	**39752**
Provided during the year		0	8,182	270	67	4,314	1,332	417	0	14,582
Transfers (to)/from non-current assets held for sale		0	0	(7)	0	0	0	0	0	(7)
Revaluation		0	(4,060)	(82)	0	0	0	0	0	(4,142)
Impairment Charge		0	(6)	0	0	0	0	0	0	(6)
Disposals		0	0	0	(52)	(2,191)	(1,975)	(55)	0	(4,273)
At 31 March 2012		**0**	**10,816**	**291**	**1,212**	**26,489**	**5,320**	**1,778**	**0**	**45,906**
Net book value at 1 April 2011		**19,603**	**239,846**	**5,798**	**263**	**20,312**	**4,043**	**2,008**	**15,522**	**307,395**
Net book value at 31 March 2012	BS	**19,733**	**255,160**	**5,549**	**196**	**19,092**	**2,747**	**1,783**	**8,333**	**312,593**
OMV of Land Inc Above		**120**	**0**	**160**						
Asset financing:										
Owned		19,733	220,193	5,549	196	19,089	2,747	1,783	8,333	277,623
Finance leased		0	857	0	0	3	0	0	0	860
On-balance sheet PFI contracts		0	34,110	0	0	0	0	0	0	34,110
NBV at 31 March 2012		**19,733**	**255,160**	**5,549**	**196**	**19,092**	**2,747**	**1,783**	**8,333**	**312,593**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

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

		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation										
At 1 April 2010		**19,393**	**240,589**	**6,137**	**1,596**	**41,421**	**8,932**	**3,140**	**12,051**	**333,259**
Additions		230	0	0	0	0	0	0	28,079	28,309
Completions		0	17,822	111	17	4,886	1,118	654	(24,608)	0
Revaluation		40	(10,678)	(340)	0	0	0	0	0	(10,978)
Impairment Charge		0	(1,102)	0	0	0	0	0	0	(1, 102)
Disposals		(60)	(85)	0	(153)	(1,629)	(44)	(370)	0	(2,341)
At 31 March 2011		**19,603**	**246,546**	**5,908**	**1,460**	**44,678**	**10,006**	**3,424**	**15,522**	**347,147**
Depreciation										
At 1 April 2010		**0**	**7,149**	**274**	**1,216**	**21,543**	**4,735**	**1,468**	**0**	**36,385**
Provided during the year		0	7,832	273	134	4,390	1,272	318	0	14,219
Revaluation		0	(8,178)	(341)	0	0	0	0	0	(8,519)
Impairment Charge			(99)	(96)						(195)
Disposals		0	(4)	0	(153)	(1,567)	(44)	(370)	0	(2,138)
At 31 March 2011		**0**	**6,700**	**110**	**1,197**	**24,366**	**5,963**	**1,416**	**0**	**39,752**
Net book value at 1 April 2010		**19,393**	**233,440**	**5,863**	**380**	**19,878**	**4,197**	**1,672**	**12,051**	**296,874**
Net book value at 31 March 2011	B S	**19,603**	**239,846**	**5,798**	**263**	**20,312**	**4,043**	**2,008**	**15,522**	**307,395**
OMV of Land Inc Above		**35**	**0**	**0**						
Asset financing:										
Owned		19,603	204,742	5,798	263	20,127	4,043	2,008	15,522	272,106
Finance leased		0	905	0	0	185	0	0	0	1,090
On-balance sheet PFI contracts		0	34,199	0	0	0	0	0	0	34,199
NBV at 31 March 2011		**19,603**	**239,846**	**5,798**	**263**	**20,312**	**4,043**	**2,008**	**15,522**	**307,395**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012
11. (b) Property, Plant & Equipment (Donated Assets)

		Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation									
At 1 April 2011		**45**	**2,143**	**192**	**21**	**1,704**	**21**	**2**	**4,128**
Additions		0	120	0	0	126	5	0	251
Revaluation		0	43	4	0	0	0	0	47
Disposals		0	0	0	0	(266)	0	0	(266)
At 31 March 2012		**45**	**2,306**	**196**	**21**	**1,564**	**26**	**2**	**4,160**
Depreciation									
At 1 April 2011		**0**	**7**	**0**	**21**	**1,332**	**14**	**2**	**1,376**
Provided during the year		0	60	5	0	142	3	0	210
Revaluation		0	1	0	0	0	0	0	1
Disposals		0	0	0	0	(266)	0	0	(266)
At 31 March 2012		**0**	**68**	**5**	**21**	**1,208**	**17**	**2**	**1,321**
Net book value at 1 April 2011		**45**	**2,136**	**192**	**0**	**372**	**7**	**0**	**2,752**
Net book value at 31 March 2012	B S	**45**	**2,238**	**191**	**0**	**356**	**9**	**0**	**2,839**
Open Market Value of Land in Land and Dwellings Included Above		**0**	**0**	**0**					
Asset financing:									
Owned		45	2,238	191	0	356	9	0	2,839
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 2012		**45**	**2,238**	**191**	**0**	**356**	**9**	**0**	**2,839**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

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

		Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation									
At 1 April 2010		**45**	**2,214**	**192**	**56**	**2,379**	**21**	**22**	**4,929**
Additions		0	0	0	0	132	0	0	132
Revaluation		0	(71)	0	0	0	0	0	(71)
Disposals		0	0	0	(35)	(807)	0	(20)	(862)
At 31 March 2011		**45**	**2,143**	**192**	**21**	**1,704**	**21**	**2**	**4,128**
Depreciation									
At 1 April 2010		**0**	**78**	**6**	**55**	**2,031**	**12**	**21**	**2,203**
Provided during the year		0	58	5	1	105	2	1	172
Revaluation		0	(129)	(11)	0	0	0	0	(140)
Disposals		0	0	0	(35)	(804)	0	(20)	(859)
At 31 March 2011		**0**	**-7**	**0**	**21**	**1,332**	**14**	**2**	**1,376**
Net book value at 1 April 2010		**45**	**2,136**	**186**	**1**	**348**	**9**	**1**	**2,726**
Net book value at 31 March 2011	BS	**45**	**2,136**	**192**	**0**	**372**	**7**	**0**	**2,752**
Open Market Value of Land in Land and Dwellings Included Above		**0**	**0**	**0**					
Asset financing:									
Owned		45	2,136	192	0	372	7	0	2,752
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 2011		**45**	**2,136**	**192**	**0**	**372**	**7**	**0**	**2,752**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2012

11. (c) ASSETS HELD FOR SALE

The following assets related to surplus property have been presented as held for sale following the approval for sale by NHS Highland Board. The completion date for sale is expected to be within the financial year, properties being: Nurses House Port Appin and Tigh Na Bruiach Surgery site.

		Property, Plant & Equipment £'000
At 1 April 2011		**145**
Transfers from property, plant and equipment		128
Gain or losses recognised on remeasurement of non-current assets held for sale		(8)
Disposals for non-current assets held for sale		(145)
As at 31 March 2012	BS	**120**
At 1 April 2010		**277**
Disposals for non-current assets held for sale		(132)
As at 31 March 2011	BS	**145**

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2011 £'000			£'000
	Net book value of property, plant and equipment at 31 March		
307,395	Purchased	11a	312,593
2,752	Donated	11b	2,839
310,147	**Total**	BS	**315,432**
35	Net book value related to land valued at open market value at 31 March		120
40	Net book value related to buildings valued at open market value at 31 March		160
	Total value of assets held under:		
1,090	Finance Leases		860
34,199	PFI and PPP Contracts		34,110
35,289			34,970
	Total depreciation charged in respect of assets held under:		
393	Finance leases		247
954	PFI and PPP contracts		962
1,347			1,209

NHS Highland have revalued 20% of its Asset Base in 2011/12 as part of a rolling 5 year revaluation programme - revaluation was carried out by James Barr/F G Burnett on 31 March 2012 on the basis of fair value (market value or depreciated replacement). Other tangible non current assets were re-valued in 2011/12 by setting Indices at 2% for buildings. Land Indices remained at zero.
The net impact was an increase of £7.845 million (2010/11 £2.384 million), all of which (2010/11 £2.343 million was charged to the revaluation reserve and £0 (2010/11 £0.041 million) charged to the Statement of Comprehensive Net Expenditure.

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

12. INVENTORIES AND WORK IN PROGRESS AS AT 31 MARCH 2012

Restated 2010 £'000	Restated 2011 £'000			2012 £'000
4,930	5,090	Raw Materials and Consumables		5,279
4,930	**5,090**	**Total Inventories**	B S	**5,279**

13. TRADE AND OTHER RECEIVABLES

2010 £'000	2011 £'000		Note	2012 £'000
		Receivables due within one year		
1,903	3,379	Boards	SFR 30	2,859
1,903	**3,379**	**Total NHSScotland Receivables**		**2,859**
378	277	NHS Non-Scottish Bodies		275
54	0	General Fund Receivable		20
872	1,118	VAT recoverable	SFR 30.1	822
3,140	3,425	Prepayments		3,561
3,457	2,685	Accrued income		2,822
843	982	Other Receivables		1,580
618	1,083	Reimbursement of provisions		1,488
518	586	Other Public Sector Bodies		560
11,783	**13,535**	**Total Receivables due within one year**	B S	**13,987**
		Receivables due after more than one year		
2,032	1,959	Prepayments		1,887
6,348	6,055	Accrued income		6,226
181	186	Other Receivables		11
8,889	5,108	Reimbursement of Provisions		4,956
17,450	**13,308**	**Total Receivables due after more than one year**	B S	**13,080**
29,233	**26,843**	**TOTAL RECEIVABLES**		**27,067**
404	329	The total receivables figure above includes a provision for impairments of :		276

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

2011		2012
£'000	Movements on the provision for impairment of receivables are as follows:	£'000
404	At 1 April	329
	Provision for impairment	116
(68)	Receivables written off during the year as uncollectible	(65)
(7)	Unused amounts reversed	(104)
329	At 31 March	**276**

As of 31 March 2012, receivables with a carrying value of £276000.00 (2011: £329000.00) were impaired and provided for. The amount of the provision was £276000.00 (2011: £329000.00 The aging of these receivables is as follows:

2011		2012
£'000		£'000
	3 to 6 months past due	
329	Over 6 months past due	276
329		**276**

The receivables assessed as past due but not impaired were mainly NHS Bodies, Local Government Authorities and Central Gvt Bodies and there is no history of default from these customers recently.
Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2012, receivables with a carrying value of £591000.00 (2011: £491000.00) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2011		2012
£'000		£'000
209	Up to 3 months past due	307
189	3 to 6 months past due	141
93	Over 6 months past due	143
491		**591**

The receivables assessed as past due but not impaired were mainly NHS Bodies, Local Government Authorities and Central Government Bodies 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.
Receivables that are neither past due nor impaired are shown by their credit risk below;

2011		2012
	The carrying amount of receivables are denominated in the following	
£'000	currencies:	£'000
26,839	Pounds	27,067
26,839		**27,067**

All non-current receivables are due within 13 years (2010/11: 14 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 £13,080,000.00 (2010/11:£13,308,000.00)
The effective interest rate on non-current other receivables is 2.2% (2010 – 11 2.2%)

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

14. CASH AND CASH EQUIVALENTS

	Note	At 01/04/11 £'000	Cash Flow £'000	At 31/03/12 £'000
Government Banking Service account balance		49	(2)	47
Cash at bank and in hand		58	(18)	40
Total cash and cash equivalents - balance sheet	B S	**107**	**(20)**	**87**
Overdrafts	15	0	(107)	(107)
Total cash - cash flow statement		**107**	**(127)**	**(20)**
		CFS		CFS

Prior Year	Note	At 01/04/10 £'000	Cash Flow £'000	At 31/03/11 £'000
Government Banking Service account balance		30	19	49
Cash at bank and in hand		37	21	58
Total cash and cash equivalents - balance sheet	B S	**67**	**40**	**107**
Overdrafts	15	(121)	121	0
Total cash - cash flow statement		**(54)**	**161**	**107**
		CFS		CFS

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

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012
15. TRADE AND OTHER PAYABLES

Restated 2010 £'000	Restated 2011 £'000		Note	2012 £'000
		Payables due within one year NHSScotland		
5,768	8,105	Boards		5,620
5,768	**8,105**	**Total NHSScotland Payables**		**5,620**
89	106	NHS Non-Scottish Bodies		209
0	107	General Fund Payable		0
11,949	11,793	FHS Practitioners		10,712
10,235	5,509	Trade Payables		2,173
14138	13,841	Accruals		17,264
184	219	Deferred income		225
670	868	Payments received on account		490
420	318	Net obligations under Finance Leases	21	97
845	911	Net obligations under PPP/PFI Contracts	22	983
121	0	Bank overdrafts	14	107
5,803	5,818	Income tax and social security		5,897
3,440	3,440	Superannuation		3,478
1,089	1,246	Holiday Pay Accrual		862
4	4	CIS Tax		6
2,672	243	Other Public Sector Bodies		604
574	719	Other payables		894
58,001	**53,247**	**Total Payables due within one year**	B S	**49,621**
		Payables due after more than one year		
498	221	Net obligations under Finance Leases due within 5 years	21	176
1,689	1,675	Net obligations under Finance Leases due after 5 years	21	1,641
4,108	4,445	Net obligations under PPP/PFI Contracts due within 5 years	22	4,819
33,033	31,784	Net obligations under PPP/PFI Contracts due after 5 years	22	30,428
39,328	**38,125**	**Total Payables due after more than one year**	B S	**37,064**
97,329	**91,372**	**TOTAL PAYABLES**		**86,685**

£'000	Borrowings included above comprise:	£'000
0	Bank overdrafts	107
2,214	Finance Leases	1,914
37,140	PFI Contracts	36,230
39,354		**38,251**

	The carrying amount and fair value of the non-current borrowings are as follows	Carrying Amount
£'000	**Carrying amount**	**£'000**
1,896	Finance Leases	1,817
36,229	PFI Contracts	35,247
38,125		**37,064**

2011	The carrying amount and fair value of the non-current borrowings are as follows	**Fair value**
£'000	**Fair value**	**£'000**
1,896	Finance Leases	1,817
36,229	PFI Contracts	35,247
38,125		**37,064**

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

	The carrying amount of payables are denominated in the following currencies:	
£'000		**£'000**
91,340	Pounds	86,685
91,340		**86,685**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

16. PROVISIONS

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	2011–12 Total £'000
At 1 April 2011	4,740	6,239	492	11,471
Arising during the year	2,123	443	25	2,591
Utilised during the year	(759)	(546)	(51)	(1,356)
Unwinding of discount	45	0	0	45
Reversed unutilised	(386)	(329)	(77)	(792)
At 31 March 2012	**5,763**	**5,807**	**389**	**11,959**

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	2011–12 Total £'000
Current	1,028	855	83	1,966
Non-current	4,735	4,952	306	9,993
At 31 March 2012	**5,763**	**5,807**	**389**	**11,959**

16. PROVISIONS - PRIOR YEAR

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	Total £'000
At 1 April 2010	4,499	9,491	300	14,290
Arising during the year	1,211	3,274	598	5,083
Utilised during the year	(738)	(5,682)	(367)	(6,787)
Reversed unutilised	(232)	(844)	(39)	(1,115)
At 31 March 2011	**4,740**	**6,239**	**492**	**11,471**

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

Current	1,877	1,068	179	3,124
Non-current	2,863	5,171	313	8,347
At 31 March 2011	**4,740**	**6,239**	**492**	**11,471**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 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. 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 Note 18. The provision is based on an estimation of the possible cost together with adverse legal costs and is estimated that settlement may take up to 3 years

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

17. MOVEMENT ON WORKING CAPITAL

2011 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2012 Net Movement £'000
	INVENTORIES				
(150)	Balance Sheet	12	5,090	5,279	
(150)	**Net (Increase)**				**(189)**
	TRADE AND OTHER RECEIVABLES				
(1,752)	Due within one year	13	13,535	13,987	
4,150	Due after more than one year	13	13,308	13,080	
			26,843	27,067	
19	Less: Property, Plant & Equipment (Capital) included in above		(19)	0	
(54)	Less: General Fund Debtor included in above		(0)	(20)	
			26,824	27,047	
2,363	**Net Decrease/(Increase)**				**(223)**
	TRADE AND OTHER PAYABLES				
(4,772)	Due within one year	15	53,247	49,621	
(1,203)	Due after more than one year	15	38,125	37,064	
(409)	Less: Property, Plant & Equipment (Capital) included in above		(969)	(1,016)	
121	Less: Bank Overdraft	15	(0)	(107)	
(107)	Less: General Fund Creditor included in above		(107)	(0)	
1,239	Less: Lease and PFI Creditors included in above	15	(39,354)	(38,144)	
			50,942	47,418	
(5,131)	**Net (Decrease)**				**(3,524)**
	PROVISIONS				
(2,819)	Balance Sheet	16	11,471	11,959	
(2,819)	**Net (Decrease)/Increase**				**488**
(5,737)	**NET MOVEMENT (Decrease)**	CFS			**(3,448)**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

18. CONTINGENT LIABILITIES

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

2011 £'000	Nature	2012 £'000
2,516	**Clinical and medical compensation payments**	2,430
336	**Employer's liability**	534
0	**Third party liability**	5
2,852	**TOTAL CONTINGENT LIABILITIES**	2,969

In the normal course of business, incidents as detail above may have occurred but may not yet be reported to the Board and so cannot be quantified with sufficient degree of certainty to allow an assessment to be made as to whether or not provision is required. Accordingly no provision has been reported in these accounts.

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.

CONTINGENT ASSETS

2,061	**Clinical and medical compensation payments**	1,923
266	**Employer's liability**	334
2,327		2,257

NHS Highland has 304 outstanding claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

- The claimant's job has been rated as being of equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.

- Their comparator is currently paid or has been paid more than them.

- They claim equal pay, back pay and interest (back pay is claimed for the statutory maximum of five years).

Claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland Central Legal Office and Equal Pay Unit are 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.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

20. COMMITMENTS

2011	Capital Commitments	2012
£'000	The Board has the following Capital Commitments which have not been included for in the accounts	£'000
		Property, plant and equipment
	Contracted	
2,823	Lin Acc Raigmore	0
6,040	Mid Argyll PFI Lifecycle Costs	6,027
5,249	ERPCC PFI Lifecycle Cost	5,035
1,389	Care of the Elderly Sutherland	0
2,255	Mull & Iona Primary Care Centre	1,200
1,784	Angio Cath Lab Raigmore	0
	Greater Inverness Masterplan	80
19,540	**Total**	**12,342**
	Authorised but not Contracted	
6,656	Other	8,825
6,656	**Total**	**8,825**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

21. COMMITMENTS UNDER LEASES

2011 £'000	Operating Leases	2012 £'000
	Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods.	
	Buildings	
1,879	Not later than one year	2,010
7,647	Later than one year, not later than five years	7,450
20,788	Later than five years	18,896
	Other	
2,924	Not later than one year	3,605
7,414	Later than one year, not later than five years	6,378
777	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
2,985	Hire of equipment (including vehicles)	3,761
2,806	Other operating leases	3,131
5,791	**Total**	**6,892**

2011 £'000	Finance Leases		2012 £'000
	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.		
	Obligations under Finance leases comprise:		
	Buildings		
234	Rentals due within one year	15	239
937	Rentals due between two and five years (inclusive)	15	958
2,800	Rentals due after five years	15	2,634
3,971			3,831
(2,128)	Less interest element		(1,996)
1,843			**1,835**
	Other		
269	Rentals due within one year	15	123
139	Rentals due between two and five years (inclusive)	15	16
408			139
(37)	Less interest element		(60)
371			79

This total net obligation under finance leases is analysed in Note 15 (Trade and Other Payables)

	Aggregate Rentals Receivable in the year
289	Total of finance & operating leases
	348

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

22. 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:

2011 £'000	Gross Minimum Lease Payments	New Craigs £'000	Easter Ross £'000	Mid Argyll £'000	2012 Total £'000
3,773	Rentals due within 1 year	1,922	621	1,229	3,772
15,090	Due within 2 to 5 years	7,689	2,485	4,915	15,089
51,762	Due after 5 years	16,358	7,997	23,636	47,991
70,625	**Total**	25,969	11,103	29,780	66,852
	***Less* Interest Element**				
(2,862)	Rentals due within 1 year	(1,591)	(358)	(840)	(2,789)
(10,645)	Due within 2 to 5 years	(5,814)	(1,296)	(3,160)	(10,270)
(19,978)	Due after 5 years	(6,892)	(2,175)	(8,496)	(17,563)
(33,485)	**Total**	(14,297)	(3,829)	(12,496)	(30,622)
	Present value of minimum lease payments				
911	Rentals due within 1 year	331	263	389	983
4,445	Due within 2 to 5 years	1,875	1,189	1,755	4,819
31,784	Due after 5 years	9,466	5,822	15,140	30,428
37,140	**Total**	11,672	7,274	17,284	36,230

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

2011 £'000		2012 £'000
3,387	Service charges	3,547
2,926	Interest charges	2,862
0	Other charges	0
6,313	**Total**	**6,409**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

23. 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 2011-12, normal employer contributions of £27,616,000 were payable to the SPPA (prior year £27,674,000) at the rate of 13.5% (2010-11 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 met by future contributions from employing authorities.

Provisions/ Liabilities/ Pre-payments amounting to £2,032,298 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 8.5% of pensionable earnings. Pensions are increased in line with Retail Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 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.

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.

	2011/12 £'000	2010/11 £'000
Pension cost charge for the year	27,616	27,674
Provisions/Liabilities/Pre-payments included in the Balance Sheet	2,031	2,030

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

24. PRIOR YEAR ADJUSTMENTS

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

Adjustment		Dr. £'000	Cr. £'000
Adjustment 1	Prison Transfer – responsibility for the Healthcare of Prisoners in Scotland officially transferred from the Scottish Prison Service to NHS Scotland on 1st November 2011. This form of transfer is defined as a "Machinery of Government Change" and as such merger accounting rules apply, hence the adjustment below:		
	Assets	4	
	Stock	8	
	Creditors		32
	Agency Nursing Staff	20	
	Nursing Pays	221	
	Non Pay Costs	278	
	General Fund		499
Adjustment 2	FRAB (101) 05 removed the need to have a donated asset reserve, donated assets are now accounted for as non core income, the entries below re-state the entries from 1st April 2010.		
	Donated Assets at March 2010		
	Donated Asset Reserve (March 10)	2,726	
	Cost to General Fund		4,919
	Acum Depreciation to General Fund	2,203	
	Valuation adj to Revaluation Reserve		10
Adjustment 3	Donated Assets in Year 2010/2011		
	Donated Additions 10/11	132	
	Donated Income (AME)		132
	Donated Revaluations 10/11	69	
	Revaluation Reserve		69
	Tfer from Donated Reserve	172	
	Donated Depreciation 10/11 (AME)		172
Adjustment 4	Following a review of Gross Cost and Depreciation, these two values as at 1 April 2010 have been restated for Notes 10, 11(a) and 11(b). This has no impact on net book values.		
	Intangible Amortisation	50	
	Intangible Valuation		50
	Property, Plant and Equipment Depreciation	43,620	
	Property, Plant and Equipment Valuation		43,620
	Donated Property, Plant and Equipment Depreciation	610	
	Donated Property, Plant and Equipment Valuation		610

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012
25. RESTATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Clinical Services Costs					
Hospital and Community	465,215	519	0	0	465,734
Less: Hospital and Community Income	33,523	0	0	0	33,523
	431,692	**519**	**0**	**0**	**432,211**
Family Health Services	160,581	0	0	0	160,581
Less: Family Health Services Income	4,333	0	0	0	4,333
	156,248	**0**	**0**	**0**	**156,248**
Total Clinical Services Costs	**587,940**	**519**	**0**	**0**	**588,459**
Administration Costs	5,371	0	0	0	5,371
Less: Administration Income	35	0	0	0	35
	5,336	**0**	**0**	**0**	**5,336**
Other Non Clinical Services	17,622	0	0	0	17,622
Less: Other Operating Income	17,561	0	0	(40)	17,521
	61	0	0	40	101
Net Operating Costs	**593,337**	**519**	**0**	**40**	**593,896**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

25. RESTATED BALANCE SHEET	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Non-current assets					
Property, plant and equipment	310,147	0	0	0	310,147
Intangible assets	2,460	0	0	0	2,460
Financial assets:					
Available for sale financial assets	0	0	0	0	0
Trade and other receivables	13,304	4	0	0	13,308
	325,911	4	0	0	**325,915**
CURRENT ASSETS					
Inventories	5,082	8	0	0	5,090
Financial assets:					
Trade and other receivables	13,535	0	0	0	13,535
Cash and cash equivalents	107	0	0	0	107
Available for sale financial assets		0	0	0	0
Derivatives financial assets		0	0	0	0
Assets classified as held for sale	145	0	0	0	145
	18,869	8	0	0	**18,877**
TOTAL ASSETS	**344,780**	**12**	**0**	**0**	**344,792**
CURRENT LIABILITIES					
Provisions	(3,124)	0	0	0	(3,124)
Financial liabilities:					
Trade and other payables	(53,215)	(32)	0	0	(53,247)
Derivatives financial liabilities	0	0	0	0	0
TOTAL CURRENT LIABILITIES	**(56,339)**	**(32)**	**0**	**0**	**(56,371)**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	**288,441**	**(20)**	**0**	**0**	**288,421**
Non-current liabilities					
Provisions	(8,347)	0	0	0	(8,347)
Financial liabilities:					
Trade and other payables	(38,125)	0	0	0	(38,125)
Total non-current liabilities	**(46,472)**	**0**	**0**	**0**	**(46,472)**
Assets less liabilities	**241,969**	**(20)**	**0**	**0**	**241,949**
TAXPAYERS' EQUITY					
General Fund	150,632	(20)	2,716	(40)	153,288
Revaluation Reserve	88,582	0	10	69	88,661
Donated Asset Reserve	2755	0	(2,726)	(29)	0
Other Reserves	0	0	0	0	0
Government Grant Reserve	0	0	0	0	0
	241,969	**(20)**	**0**	**0**	**241,949**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

25. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Cash flows from operating activities					
Net operating cost	(593,337)	(519)	0	(40)	(593,896)
Adjustments for non-cash transactions	15,828	0	0	40	15,868
Add back: interest payable recognised in net operating cost	3,202	0	0	0	3,202
Deduct: interest receivable recognised in net operating cost	0	0	0	0	0
(Increase) / decrease in trade and other receivables	2,359	(4)	0	0	2,355
(Increase) / decrease in inventories	(152)	(8)	0	0	(160)
Increase / (decrease) in trade and other payables	(5,145)	32	0	0	(5,113)
Increase / (decrease) in provisions	(2,819)	0	0	0	(2,819)
Net cash outflow from operating activities	**(580,064)**	**(499)**	**0**	**0**	**(580,563)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(27,900)	0	0	0	(27,900)
Purchase of intangible assets	(790)	0	0	0	(790)
Proceeds of disposal of property, plant and equipment	453	0	0	0	453
Proceeds of disposal of intangible assets	0	0	0	0	0
Interest received	0	0	0	0	0
Net cash outflow from investing activities	**(28,237)**	**0**	**0**	**0**	**(28,237)**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

Cash flows from financing activities					
Funding	612,742	499	0	0	613,241
Movement in general fund working capital	161	0	0	0	161
Cash drawn down	612,903	499	0	0	613,402
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(1,239)	0	0	0	(1,239)
Interest paid	(1)	0	0	0	(1)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,201)	0	0	0	(3,201)
Net Financing	**608,462**	**499**	**0**	**0**	**608,961**
Net Increase / (decrease) in cash and cash equivalents in the period	161	0	0	0	161
Cash and cash equivalents at the beginning of the period	(54)	0	0	0	(54)
Cash and cash equivalents at the end of the period	**107**	**0**	**0**	**0**	**107**
Reconciliation of net cash flow to movement in net debt/cash					
Increase/(decrease) in cash in year	161	0	0	0	161
Net debt/cash at 1 April	(54)	0	0	0	(54)
Net debt/cash at 31 March	**107**	**0**	**0**	**0**	**107**

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

26. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

AT 31 MARCH 2012	**Note**	**Loans & Receivables £'000**
Assets per balance sheet		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	11,474
Cash and cash equivalents	14	87
		11,561

AT 31 MARCH 2011		
Assets per balance sheet		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	10,771
Cash and cash equivalents	14	107
		10,878

Financial Liabilities

AT 31 MARCH 2012	**Note**	**Other £'000**
Liabilities per balance sheet		
Finance lease liabilities	15	1,914
PFI Liabilities	15	36,230
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	15	33,315
		71,459

AT 31 MARCH 2011		
Liabilities per balance sheet		
Finance lease liabilities	15	2,214
PFI Liabilities	15	37,140
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	15	34,432
		73,786

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

26. 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.

Risk management policies* ***i.e.*** The Board provides written principles for overall risk management, as well as written policies covering
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
AT 31 MARCH 2012	**£'000**	**£'000**	**£'000**	**£'000**
PFI Liabilities	3,772	3,772	11,317	47,991
Finance lease liabilities	362	255	719	2,634
Trade and other payables excluding statutory liabilities	33,208	0	0	0
Total	**37,342**	**4,027**	**12,036**	**50,625**

NOTES TO THE ACCOUNTS

for the year ended 31st March 2012

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AT 31 MARCH 2011	**£'000**	**£'000**	**£'000**	**£'000**
PFI Liabilities	3,773	3,772	11,318	51,762
Finance lease liabilities	503	357	719	2,800
Trade and other payables excluding statutory liabilities	34,400	0	0	0
Total	**38,676**	**4,129**	**12,037**	**54,562**

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. (Provide details of the technique used).

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.

NOTES TO THE ACCOUNTS
for the year ended 31st March 2012

27. 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. However, the board has Endowment Funds that are managed by Trustees who are also directors of the Board. The Board has charged approx £87,000 for administration and estates management services. No balance remains outstanding at the end of the year.

28. SEGMENTAL REPORTING

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

	A & B CHP	North Highland CHP	Mid Highland CHP	SE Highland CHP	Raigmore Hospital	Others	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost	175,266	44,524	72,711	88,519	134,836	90,135	**605,991**
Prior Year Net operating cost	170,841	43,331	71,285	88,001	130,662	89,776	**593,896**

29. 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.

	2011 £'000	Gross Inflows £'000	Gross Outflows £'000	2012 £'000
Monetary amounts such as bank balances and monies on deposit	401	500	(519)	382
	401	500	(519)	382

30. DISCOSURE OF EXIT PACKAGES

The Board did not have any exit packages agreed in year.

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 (FReM) which is in force for the year for which the statement of accounts are prepared.

3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006