



**Highland Health Board**

**ANNUAL ACCOUNTS**

for

**THE YEAR ENDED 31 MARCH 2008**

# Highland Health Board

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## ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2008

### **DIRECTORS' REPORT**

#### **1. Naming Convention**

NHS Highland is the common name for Highland Health Board.

#### **2. Disclosure of Financial Statements Authorisation Date**

Financial statements were approved and authorised for issue by the Board on 24<sup>th</sup> June 2008.

#### **3. Accounting convention**

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the *FReM*. The Accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced as an appendix to these accounts.

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

The Operating Cost Statement, Notes 4,7,8,13,15,16 and 24 have been restated due to various changes made to the NHS Annual Accounts Manual. The restatement relates to the 2006/07 balances being presented consistently with the 2007/08 balances. These changes are presentational and do not impact on the outturn reported in the previous year.

#### **4. 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 2006/07 to 2010/11 the Auditor General appointed David McConnell, Assistant Director of Audit (Health), 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.

#### **5. 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, from 04/09/07

David Alston, Non-Executive Member

Ann Bethune, Non-Executive Member

Bill Brackenridge, Non-Executive Member

Anne Clark, Non-Executive Member

Pamela Courcha, Non-Executive Member

Quentin Cox, Non-Executive Member, from 01/10/07

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Margaret Davidson, Non-Executive Member, from 01/02/08

Michael Foxley, Non-Executive Member, until 31/01/08

Gillian McCreath, Non-Executive Member

Okain McLennan, Non-Executive Member

William Petrie, Non-Executive Member to 30/04/07

Colin Punler, Non-Executive Member, from 01/06/07

Elaine Robertson, Non-Executive Member, from 09/07/07

Heather Sheerin, Non-Executive Member to 31/05/07

Vivian Shelley, Non-Executive Member

Ray Stewart, Non-Executive Member

Roger Gibbins, Chief Executive

Elaine Mead, Chief Operating Officer

Malcolm Iredale, Director of Finance

Ian Bashford, Medical Director, from 30/04/07

Heidi May, Nurse Director

Eric Baijal, Director of Public Health & Health Policy

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

## 6. 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:

David Alston	Highland Council
Jan Baird	Highland Hospice
Ann Bethune	Skye & Lochalsh Community Care Forum
Anne Clark	University of Highlands and Islands
Ian Gibson	Macmillan Cancer Support
Malcolm Iredale	University of Highland and Islands
Gillian McCreath	Highland Council
Okain McLennan	Volunteering Highland
Gill McVicar	Association of CHP's
Vivian Shelley	Argyll College
Ray Stewart	Amicus Trade Union

## 7. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 25 and the remuneration report.

## 8. Remuneration for non audit work

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

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## 9. Related Party Transactions

During the year NHS Highland entered into the following material transaction with Craig Nevis Medical Practice, in which Dr Michael Foxley, Non Executive Director (to 31/01/08) is a partner. Payments totalling £571,881 were made in respect of services provided within their GMS contract, of which £54,377 was outstanding at 31 March 2008.

## 10. Value of Land

The value of land recorded in our balance sheet is at existing use value. We have not clarified whether there would be a difference using the market value. However, a full revaluation will take place during 2008/2009

## 11. Payment Policy

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

In 2007/08 average credit taken was 14 days.

In 2007/08 the Board paid 91.9% by value and 88.3% by volume within 30 days.

## 12. 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

### 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 Dr Vivian Shelley. 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 Okain McLennan. It meets approximately four times per

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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 Area Partnership Forum and two ex-officio members (Chair and Chief Executive). The Committee was chaired by Anne Clark. It meets approximately four times per year.

NHS Highland has developed a Workforce Strategy, which considers the National and Local Drivers for Change, including 'Better Health, Better Care' Action Plan 'Delivering for Remote and Rural Healthcare' and the NHS Highland Clinical Framework and identifies the implications for the Workforce.

To help provide a framework for the Workforce Strategy, the **PEOPLE** acronym (**Partnership, Enabling, Opportunities, Performance, Learning, Equality**) first developed by the Personnel and Development Team, has been developed further to illustrate the workforce related initiatives and projects that have been prioritised for future implementation.

## **WORKFORCE STRATEGY FRAMEWORK**

**Partnership** Working

**Enabling** Recruitment - Now and in the Future

**Opportunities** for Improving Retention, Efficiency and Productivity

**Performance** Management

**Learning** and Development

**Equality** and Diversity

The section on each Strategic PEOPLE Theme, illustrates current workforce initiatives, how they are evidenced through existing policies, strategies and plans and the future workforce priorities arising from the drivers for change. In addition how the Workforce Agenda supports the delivery of improved benefits for patients, staff themselves and the organisation is identified, as well as Performance Indicators.

## **Ethics Committee**

The North of Scotland Research Ethics Committee was established and began work on 2 April 2007. The new REC is a result of a merger of the Highland and Grampian Research Ethics Committees and is based in Summerfield House, Aberdeen.

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. The NHS Highland membership of the North of Scotland Research Ethics Committee comprises:

Margaret Thomson  
Dr Kate Adamson  
Jim Bannerman

Research Fellow, retired  
Haematologist (Retired)  
Pharmacist

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The Board members' responsibilities in respect of internal control are set out in a statement following this report.

The focus of governance is incorporated into monthly Board meetings, with the focus alternating between strategy and performance on a month to month basis since April 2006.

## **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.

## **13. 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.

## **14. Human Resources**

As 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. This year has seen the development of an overall strategy for Equality and Diversity.

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. 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. This year has also seen the development of an overarching Workforce Strategy for NHS Highland.

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## 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 32,518 km<sup>2</sup> (12,507 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 299,000 residents, of which 206,000 are within the Highland Council area and 93,000 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.

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The functions of the unified NHS Board comprise:

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

## Developments across NHS Highland for 07/08

### Best Start in Life

#### Promoting the best start in life – breast feeding

All maternity units in NHS Highland are working towards achieving Baby Friendly status which is a marker of the support offered to women to encourage and support breastfeeding. Caithness General has recently passed stage 1 which means they have the mechanisms in place that enable the Baby Friendly standards to be implemented and maintained.

Raigmore Hospital already has a prestigious Baby Friendly award.

NHS Highland now has 33 breastfeeding management trainers who are spreading a UNICEF/WHO training package throughout NHS Highland. This means that mums and babies across Highland will receive the consistent support to give their babies the best start possible in life.

NHS Highland was enthusiastically involved in the Launch of the Welcome baby sticker scheme in 2007 which aims to make it easier for mums to breastfeed babies whilst out and about in public places.

### Health Promoting Schools

From December 2007, children and young people in education across the area of NHS Highland are now officially attending Health Promoting Schools.

Healthy eating is recognised as a major contributor to future health and wellbeing, and teaching children the importance of good nutrition sets them up for the future. Training on the National Guidance on nutrition in nurseries has been rolled out to pre school settings, supported with continued health improvement funding for fruit provision and new curriculum materials. Work to improve food in schools has continued, working towards compliance with the Schools (health promotion) (nutrition) bill, for example:

- New seasonal menus for primary school pupils
- Reduction on sugary drinks, crisps and snacks in secondary schools
- Celebration of food related activities throughout the whole school day in two 'Healthy Highland' weeks as part of the Highland Year of Culture.

### “Drop Zones” in schools

In response to the needs of young people in rural communities, Drop Zones are now based in high schools throughout the area of the North Highland Community Health Partnership. Young people can be reluctant to seek advice or support from their primary care team, particularly in small, rural communities, so local staff take their services into the schools. School nurses and health visitors provide drop in sessions, 'Drop Zones' usually over a lunch or break time. The children can talk to the clinical staff about health issues – personal health concerns, questions, fears or worries, or more general health and wellbeing matters. They also provide a means of taking specific services directly to young people, for example, smoking cessation support. In addition, the “Drop Zones” support other activities to promote good health, such as alcohol awareness.

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## **Healthier Highland Smoking Cessation**

More Highland smokers are trying to kick the habit with the help of smoking cessation services and there has also been an increase in the number who have stopped one month into their attempt.

1,785 people used Smoking Cessation Services in 2007, three times more than in 2006. 743 said they had quit within a month of starting to receive support and advice from a trained Smoking Cessation Advisor compared to 173 or 29% in 2006.

## **Improving Mental Health**

Additional clinical staff have been appointed to support a number of developments in mental health services, and other new appointments are progressing into 2008. One key area of work has been the introduction across Highland of guided self help for people affected by depression.

The Guided Self Help Workers support people with mild to moderate depression. They work in local communities with individual patients guiding them to sources of self help materials. This approach assists the individual to feel in control and at the same time helps to reduce unnecessary reliance on medication. In addition, there is evidence which suggests that this approach helps individuals develop personal skills which enable them to respond better to challenges in future. As an additional result, GPs and clinical mental health specialist staff are able to provide more targeted support to patients with more complex needs.

## **Closer to Home**

### **Cataract Surgery in Caithness General**

A new innovation has taken cataract surgery directly to the people of Caithness. From February 2008 the specialist surgical team from Raigmore has joined forces with the staff at Caithness General Hospital to provide patients with cataract surgery in their local hospital. The ground work involved ensuring that all the specialist equipment was bought and staff trained. This has involved fantastic teamwork between staff in Bignold Wing and Theatres of CGH and the Ophthalmology ward and ophthalmology theatres in Raigmore.

### **Operation First for Highland**

During the year, the first NHS Highland patient had an implantable defibrillator inserted at Raigmore Hospital. Previously patients had to travel to Aberdeen or further to have this device - known as an Automatic Implantable Cardioverter Defibrillator - inserted. Patients can now have this service at Raigmore Hospital in Inverness. Another step forward in keeping Highland patients closer to home.

## **Using New Technologies and Developments to Improve Patient Care Official Opening of Raigmore Hospital Wyvis Suite**

After a £600k refurbishment Raigmore Hospital's Wyvis Suite, now houses the Pre-Operative Assessment department and Cardiac ultrasound facilities. It was officially opened on Thursday 1st November. Patients attend the department to have a general health check and assessment of a number of factors including blood pressure, weight, height and medical history. This identifies conditions which may influence the arrangements for the patient's surgery, and helps to ensure there are no unplanned delays for individual patients. This in turn promotes effective management of admissions, and operating theatre time.

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## **New Fluroscan treats patients without operating theatre**

A new Fluroscan at Raigmore Hospital will help up to 200 patients a year avoid a trip to an operating theatre. Not only is this more convenient and comfortable for patients, but it frees up operating time, and beds, for patients needing more extensive surgery.

The Fluroscan allows clinicians to see the bones in the hands and feet so they can inject treatments more accurately between the bones. It is usually used to treat arthritic conditions.

## **HRH the Earl of Wessex Opens Fort William Health Centre**

An exciting £7 million development was opened in Fort William in October. The new health centre brings together all three of Fort William's GP Practices, alongside community nursing and therapy services, child health and five dental surgeries. This bright, modern facility provides a wide range of services to local people, all under one roof. His Royal Highness the Earl of Wessex officially opened the Fort William Health Centre, and had a tour of the facility.

## **New Technology for Eye Patients**

A new piece of technology, which revolutionises how the back of the eye can be seen, arrived at Raigmore Hospital in April.

Optical Coherence Tomography (OCT) provides very detailed images of the retina and can help with the diagnosis and treatment planning of various conditions affecting the retina such as diabetes, uveitis and macular degeneration, any of which can have serious effects on a person's vision.

## **Working Together - Multiple Sclerosis in Argyll & Bute**

An innovative project in Argyll and Bute is now completed and demonstrating positive results by creating improved local services for people affected by Multiple Sclerosis with the final report being presented in December 2007.

The various statutory, voluntary organisations and local people affected by Multiple Sclerosis have been working together to share experiences, promote good practice and raise awareness of what services and support are available. The input of service users has been an important part of improving local services.

## **Emergency care centre**

Inverness patients who need emergency care now have easy access to a range of clinical staff when they attend Raigmore. The Inverness local Out of Hours Service and Raigmore Accident and Emergency centre merged on 1<sup>st</sup> April 2007 to form an integrated Emergency care service. The appointment of a number of specialist clinical staff - Emergency practitioners and Unscheduled care practitioners to join the existing staff is helping to ensure that patients are treated by the most appropriate person for their needs whether that be a nurse or doctor and in the most appropriate environment, clinic room or emergency bay.

## **Text Message Reminders for Diabetes Clinic Patients**

Highland patients are benefiting from a new approach to reminders about hospital appointments. People due to attend the Diabetes clinics are sent reminders by text message in an effort to drive down the number of missed hospital outpatient appointments. This helps to ensure that patients receive the care they need, and helps to reduce the time lost through missed appointments.

Those affected by diabetes were involved in the redesign of working systems and, as well as text message reminders, patient focussed booking was also introduced.

## **Valuing Staff**

### **NHS Highland Staff Awards – The Results Are In**

One way of recognising the commitment and innovation shown by NHS Highland staff is through the Staff Awards Scheme. This year there were 10 categories – Community Staff, Support Worker, Hospital Worker, Improving Patient Services, Volunteer, Best Publication, Best Team, Mental Health or Learning Disability staff, Public Involvement, and Behind the

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Scenes worker. Staff are nominated by colleagues, patients and carers, and public partners are involved in the judging of entries. This was the second Staff Award Scheme and the winners in all 10 categories were recognised at a ceremony in the Waterside Hotel, Inverness. The Staff Awards Scheme also provides an ideal opportunity to share good practice.

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## 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
1 Revenue Resource limit	522,136	516,774	5,362
2 Capital Resource Limit	21,071	21,044	27
3 Cash Requirement	540,920	540,920	0

### MEMORANDUM FOR IN YEAR OUTTURN

Brought forward (surplus from previous financial year)	(6,829)
Deficit against In Year Revenue Resource Limit	1,467

The Revenue Resource Limit has been underspent by £5.362 million and this will be carried forward into 2008/09. This provides non-recurring resource to support the revenue position for NHS Highland in 2008/09.

Capital expenditure has been contained within the Capital Resource Limit. Capital funding of £13 million has been banked with the Scottish Executive for use in future years and supports the capital expenditure plan approved for 2008/09 and beyond.

Bad debt provision of £595,000 in 2007/08 (£488,000 in 2006/07) is based on the historic levels of bad debt for RTAs of 8.7% and non-NHS invoices of 3.5%. Also included is a general bad debt provision for the invoices raised this year for non-Scottish NHS patients. The recovery of this debt from health authorities is being pursued, with the support of the Scottish Government, but the level of recovery is expected to be significantly less than invoiced and therefore £375,000 has been included for this within the total bad debt provision.

### Family Health Services

In 2007, 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 prescription, dental and ophthalmic charges in the year to 31 December 2007 could amount potentially to £2.176 million.

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## Fixed Assets and 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

- CT Scanner CGH (Building Costs)
- Liquid Oxygen Install CGH
- CGH Heating System
- Replace Theatre Vent Controls CGH

### Mid CHP

- Kyle Health Facility
- Kyle Dental Equipment
- Dental Fort William

### SE CHP

- Dental Grantown
- Additional Car Parking RNI

### Raigmore Hospital

- Day Services Centre
- Replace Fire Alarms
- Replace Gas Mains
- Centre for Health Sciences Equipment
- Renal
- Cardio Respiratory
- Lin Acc (Building Works)
- Angiography Decant
- Works to 7<sup>th</sup> Floor
- Additional Car Parking
- Ward 11 Modular Units
- Upgrade Telecoms
- Change Over Contactors
- Theatre Transformers

### Corporate Services

- IT Pathology System (LIMS)
- IT Radiology System (RIS)
- Upgrade NHS Boilers
- IT PACS
- Computerised Radiology (PACS)
- Waiting Time Orthodontics
- Medical Equipment
- IT Networks Developments
- IT Server Upgrades
- IT GP Monies
- IT CHP Infrastructure
- IT Video Conferencing
- IT Mail Archives
- IT Business Objects
- IT Generic Clinical System
- Energy Efficiency
- IT Synoptic Reporting
- AV Assynt House

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## Argyll & Bute CHP

- Argyll & Bute Hospital - Various Kitchen & Medical Equipment
- Audiology Rooms at 4 hospitals
- Building Management System Upgrades
- Campbeltown Hospital - A&E
- Car Parking Works at Various Sites
- DDA compliance works - several sites
- Dental Chairs at various sites
- Dental Decontamination Rooms - various sites
- Dunoon Community Casualty Unit
- Dunoon Hospital - Endoscopy, Medical & X Ray Equipment
- Endoscopy Decontamination - LIDGH & Dunoon
- GP Clinical System - GPASS upgrade
- Improvement Grants to GDPs
- Islay Hospital - Estates Upgrades
- IT Equipment - E Health
- LIDGH - Autoclave, Blood Bank, CT, Ultrasound & X Ray Equipment
- LIDGH - Kitchen, Labs & Estates Equipment
- MACH Door Hold Backs
- Mid Argyll Helipad
- Ophthalmology equipment grants
- PACS Hardware & Server Room
- Vehicles at several sites
- Videoconferencing equipment ( 9 units )

## Public Finance Initiative/Public Private Partnerships

### **Off Balance Sheet – 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 £8.8m and the PFI property will revert to the Board at the end of the contract.

### **On Balance Sheet – 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 £14.4m. The PFI is scored as an On Balance Sheet scheme.

### **Off Balance Sheet – 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 PFI is not an asset of the Board. 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 £19.2m.

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## 3. Performance against Key Targets

NHS Highland has a number of corporate targets which are reported regularly to the Board to both highlight achievements against these, and any areas where full achievement has not been possible. Full details were reported to the NHS Board in May 2008, including an assessment of the level of achievement. These may be summarised as follows:

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 30 targets are known by the acronym HEAT which covers the four key areas of performance measurement.

- **Health Improvement** – 7 targets measuring improvements in life expectancy and healthy life expectancy
- **Efficiency and Government Improvements** – 7 targets measuring improvements in the efficiency and effectiveness of the NHS
- **Access to Services** – 7 targets recognising patients' need for quicker and easier use of NHS services
- **Treatments appropriate to individuals** – 9 targets 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 performance for each HEAT target, along with some locally set targets, and presented to NHS Highland Board. NHS Highland Board has established a Performance Review Group, a sub-committee of the Board chaired by NHS Highland Chair, which meets in the intervening months to consider in detail what actions are planned/have been taken to correct under achievement in performance.

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 CHPs, Raigmore Hospital and NHS Highland Facilities.

A copy of the final Balanced Scorecard for 2007/08 is attached for information. In summary this reports show the following performance

TOTAL NHS HIGHLAND ACHIEVEMENT STATUS	NO OF TARGETS
Target not relevant to NHS Highland	1
Status not quantified as no national target set during 2007/08	8
Green Status - Target which have been achieved and/or maintained.	21
Amber Status – Targets which have been close to achievement and have action plans in place to bring this to Green status.	5
Red Status – targets that we have failed to deliver and/or maintain	4
Total Targets reported in Balanced Scorecard	39

# Highland Health Board

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The 4 targets for NHS Highland reporting the latest performance as red status are detailed below

**1.09. K** Teenage Pregnancy.

**3.07. K** Outpatient Waiting Times over 18 weeks.

**3.10. K** Hip Fracture Surgery performed within 24 safe operating hours.

**3.11. K** Breast Cancer Waiting Times – Treatment within 31 Days of diagnosis.

These are being examined in detail by the Performance Review Group.

# Highland Health Board

NHS HIGHLAND BALANCED SCORECARD 2007/08

TOTAL NHS HIGHLAND

May 2008

Indicator	HEAT Measure	Detail	Reporting Periods												Date of latest report	Reporting Frequency	Comments		
			Latest Reported Period																
<b>Health Improvement</b>			<b>Outturn</b>																
1.01.K	Health Inequalities - CHD	Crude CHD rate per 100,000 population (<75 yrs) for Boards	152	130	102												2006	Annual	Target=improve rate in most deprived by 15%. Figures for previous years amended as now standardised and using SIMD. Data Source: Scottish Health Survey. Baseline 25.9% introduced in 2004. Target for 2005 was 25.2%.
1.02.K	Numbers Smoking	Numbers smoking as a % of relevant (16+years) pop	25.9	22.5	24.61												2006	Annual	Target for 2005 was 25.2%.
1.03.K	Immunisations - MMR	MMR uptake rates (% at 5 years old)	91.0%	91.6%	93.1%	93.7%											Oct-Dec 07	Quarterly	Target=95% uptake nationally
1.04.K	Suicide Rates	Rate per 100,000 population	18.7	16.1	16.6												2006	Annual	Target=20% reduction by 2013. To be green, 2005 target was 17.3. 2007 data is likely to be due for release in May 2008
1.08.K	Dental Caries in Primary 1 Children	% of P1 Children with no obvious decay experience		56%													2006	Alternative years	Target 60% by 2010. By 2006 59% P1 children from DEPCAT 1,2,3 and 52% from DEPCAT 4,5,6 had no obvious decay experience
1.09.K	Teenage Pregnancy	Pregnancy rate (per 1000 population) for 13-15 year olds	5.1	4.5	8.1												2005	Annual	Target is to reduce by 20% the pregnancy rate (per 1000) population in 13-15 year olds from 8.5 in 1995 to 6.8 by 2010. Changes in the calculation from 2004. Note - data released by ISD is for Highland only, excluding A&B.
<b>Efficiency</b>																			
2.01.K	Forecast Revenue Expenditure	Forecast Deficit / Surplus for EY against total revenue resource limit (000s)	£6.9m	n/a	£0	£0	£0	£0	£2,313	£-4m	£-4m	£-4.2m	£-4.1m	£-5m	£-5.2m		March 2008	Monthly	Year end 2007/08 outturn -£5.2m
2.02.K	Absences	Hours lost due to sickness absence/Total hours available (%)	4.88%	4.57%	5.02%	4.83%	4.64%	4.71%	4.59%	4.50%	5.01%	5.29%	5.94%	5.32%			Feb 2008	Monthly	Target is 4% by Mar 2009. Figures from SWISS
2.05.S	Efficiency Savings	Forecast savings for EY as a % of revenue allocation	100%	n/a	100%	100%	99%	99%	100%	100%	100%	100%	100%	100%			March 2008	Monthly	Full achievement of CRS targets
2.06.S	Cancelled Admissions	IP/DC cancelled admissions	90	59	66	72	94	71	59	63	46	57	74	84	62		March 2008	Monthly	A&B not included. No national target.
	Non clinical cancellations	IP/DC cancelled admissions for non-clinical reasons		35	46	53	64	50	43	37	27	37	50	53	41		March 2008	Monthly	A&B not included. No national target.
2.13.S	SMR Return Rate	% of SMR01 returns received (3 month lag)	99.5%	97.9%	99.1%	98.5%											Oct-Dec 2007	Quarterly	Currently reporting quarterly. This will be reported monthly in 2008/09. Figures excludes A&B
2.16.K	Same Day Surgery	Day cases & outpatients/total elective for set procedures defined by the British association of Day Surgery		60.9%	63.6%	60.4%	64.6%	65.2%	69.3%	70.1%							Oct 2007	Monthly	New national target 82.5% by March 2010. Milestone for December 2007 is 64%. Note April - July included A&B. Aug, Sept, Oct excludes A&B as coding is incomplete
2.17.K	CHI Number Usage	% of all laboratory requests made using a CHI number		96%	95%	91%	91%	95%	96%	96%	96%	97%	96%	96%			Feb 2007	Monthly	National target is 96%. A&B included as from June
	Completed Complaints	% of completed complaints resolved within 4 weeks	59% (39)	70% (37)	69% (29)	90% (38)	83% (35)	83% (30)	76% (37)	79% (33)	93% (28)	70% (20)	70% (37)	61% (28)	85% (34)		March 2008	Monthly	Target=80% of complaints responded to within 4 weeks.

# Highland Health Board

Access to Services																		
3.01.K	Primary Care Team Access	The measure is a % of practices claiming to meet the requirements for a DES (Directly Enhanced Services) payment	100%	100%	100%	100%									Jan-Mar 2008	Quarterly	Includes A&B Data	
3.04.K	Inpatient/Daycase Waiting Times over 18 weeks (31 December 2007)	IP/DC waiting over 18 weeks excl. ASCs (all acute specialties)	0	0	0	0	1	0	1	0	0	0	0	0	March 2008	Monthly	Final position for March 2008. Figures include A&B	
3.05.K	Inpatient/Daycase ASCs	IN/DC waiting with an ASC (acute specialties recorded on MMI)	1266	1257	1205	1264	1269	1212	1095	881	749	586			Dec 2007	Monthly	From 1st Jan 2008 ASC's were successfully integrated into the Waiting list in accordance with the New Ways guidance	
3.07.K	Outpatient Waiting Times over 18 weeks (31 December 2007)	New OP (GP/GDP ref) waiting over 18 weeks excl. ASCs (acute specialties recorded on MMI)	749	750	725	676	550	471	654	748	358	0	2	0	17	March 2008	Monthly	Final position for March 2008. Figures include A&B
3.08.K	A&E Waits to be a maximum of 4 hours	% of patients waiting 4 hours or less from arrival to admission, discharge or transfer to A&E treatment	97%	97%	98%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	March 2008	Monthly	Figures are for all sites.
3.09A.K	Cataract Waiting Times (Outpatient)	Outpatients waiting over 9 weeks	5	3	6	20	21	15	10	9	1	0	0	0	0	March 2008	Monthly	Exc A7B CHP due to data recording issues
3.09B.K	Cataract Waiting Times (Inpatient/D/C)	Inpatient/day case patients waiting over 9 weeks	19	20	9	15	23	24	28	33	16	0	0	0	0	March 2008	Monthly	Total Highland position as this target not relevant to A&B CHP
3.10.K	Hip Surgery Waiting Times within 24hrs	% of Hip fracture operations performed within 24 hours of admission to orthopaedic speciality	91%	100%	100%	94%	95%	100%	91%	100%	91%	100%	91%	96%	94%	March 2008	Monthly	December 2007 milestone = 100% based on local monitoring, national report not yet received
3.11.K	Breast Cancer Waiting Times within 31 days	% of patients treated within 31 days of diagnosis	63%	63%	68.9%	63%	65%	51%								Oct-Dec 07	Quarterly	Target 100% By 2001 all patients diagnosed with Breast Cancer will be treated within 31 days of diagnosis. All data before Sept 06 is for 'Old' Highland. Performance figures from July-Sept 06 include A&B. Oct-Dec 07 is UNVALIDATED
3.24.K	All Cancer Waiting Times within 62 days	% of patients treated within 62 days of urgent referral	69.1%	73.4%	74%	95.7%	98%	97.7%								Oct-Dec 07	Quarterly	All cancer sites combined. All referrals included (not just GP). Target=95%. Oct-Dec 07 is UNVALIDATED
3.19A.K	Maximum Cardiac Intervention Waiting Times (Angiography)	Number of inpatients/daycases waiting more than 4 weeks	29	34	35	0	10	8	20	32	1	0	0	0	0	March 2008	Monthly	Final position for March 2008.
3.19B.K	Maximum Cardiac Intervention Waiting Times (Angioplasty/CABG Surgery)	Not relevant to NHS Highland																Not relevant to NHS Highland
3.25.K	Waiting Times For Diagnostic Scans	Number of patients waiting over 9 weeks for MRI/CT/Barium studies/Ultrasound non-obstetric.	4	0	0	0	0	0	0	0	0	n/a	0	0	0	March 2008	Monthly	Unable to formally confirm the final Dec 07 position due to RIS reporting problem. History since Apr 07 together with early Dec position & dept records indicate that the target was met in Dec 07
3.26.K	Waiting Times For Diagnostic Scopes	Number of patient waiting over 9 weeks for gastroscopy/sigmoidoscopy/colonoscopy/cystoscopy	49	58	44	38	0	0	0	0	1	0	2	0	0	March 2008	Monthly	December 07 target of maximum wait of 9 weeks
Treatment Appropriate for Patient																		
4.01.K	Delayed Discharges	Total number of delayed discharges over 6 weeks	6	19	27	26	24	17	19	15	14	18	13	8	0	April 2008	Monthly	The target of 0 on the census date of 10th April was achieved
4.02.K	Emergency Readmissions 65+	Nos. of patients (65+) admitted 2 or more times in 1 calendar year, as an emergency to acute specialties. Rate per 100,000 pop		4135	4251	4351	4307	4250	4289							March 2007	Annual	By 2008-09 to reduce the proportion of people aged 65+ who are admitted as an emergency inpatient 2 or more times in a year by 20% compared with 2004-05. Includes A&B. Figure pre-dates trajectory.
4.03.K	Cervical Screening rate	% of 20-60 yr olds screened	82.0%	82.0%	81.9%											As at 31st Dec 07	Quarterly	Doesn't include A&B; Uptake as per smear history within last 5 yrs - not the LDP target of 5.5 yrs of eligible women aged 21-60 yrs (not 20-60 yrs as per LDP target)
4.04.K	QIS Clinical Governance & Risk Management Standards Improving	Number of points achieved (out of a possible 12) for 3 standards within QIS Clinical Governance & Risk Management assessment	7	8												March 2007	Annual	
4.05.S	DNAs	New Outpatient DNA numbers (this figure includes DNAs and CNWs, with or without ASCs ; all acute specialties)	307	360	340	369	402			421	405	381	344	312	333	March 2008	Monthly	No national target but guidance to reduce to 5%
4.06.S	Average Length of Hospital Stay	Days of stay in hospital (all acute specialties)	7.2	7.1	5.8	6.4	6.7	6.0	5.5	6.3	6	5.9	6.3	6.2	6.1	March 2008	Monthly	No national target. Excludes A&B
4.08.K	Reduction in Emergency Bed Days 65+	No. of emergency bed days in acute specialties for patients 65+	174122	186412	186008	178006	186132	159866								March 2007	Annual	Bed Days Occupied for Continuous Inpatient Stays. Includes A&B. Figure pre-dates trajectory.
4.09.K	Health Care Associated Infection	To reduce all staphylococcus aureus bacteraemia (including MRSA) by 30% by 2010				22	29	25								Oct-Dec 07	Quarterly	The MRSA rate for NHS Highland has remained steady since Jan 2003 and is within control limits. Quarterly variation is natural. Target for period Oct-Dec 07 is 16.
4.10.K	Prescribing of anti-depressants	The rate of increase of defined daily dose (DDD) per capita of anti-depressants	1.56%	1.35%	1.40%	0.86%										Q3 2007/08	Quarterly	To reduce the annual rate of increase of DDD per capita of anti-depressants to 0 by 2009/10. Trajectory to begin 2008/09.
4.11.K	Reduction in Psychiatric Admissions	Reduce the number of readmissions (within 1 year) for those that have had a psychiatric hospital admission of over 7 days by 10% by the end of December 2009	326	323	328	306										Sept 06	Quarterly	Latest figures available from ISD shown. These include readmissions to hospitals outwith Highland. Local, client-specific data provided every 2 months to each CMHT for review of patterns of readmission. Discussions underway regarding individual management of these clients. The 2009 target is 293 (10% reduction). Currently at 6%.

# Highland Health Board

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## **Sustainability and Environmental Reporting**

The Board has continued working with the Carbon Trust and The Energy Saving Trust, together with independent consultants and through this has identified and invested in a number of measures to improve its energy efficiency and reduce its carbon footprint. NHS Highland committed to the Public Sector Carbon Management Programme Scotland in December 2007. This Carbon Trust initiative is a facilitated process which will start in May 2008 and run until the 31<sup>st</sup> of March 2009. During this period the Board will develop, in partnership, a carbon management programme which will clearly establish the targets for carbon reduction and the way in which these targets will be achieved.

## **Alternative Energy Sources**

The Raigmore site, which is the largest consumer of energy in the Boards property portfolio, has installed a gas main which will provide the Board with the ability to move away from heavy oil as a means of heating the boilers to a more carbon efficient fuel.

The Fort William Health Centre, opened during 2007, has a dual fuel system. The main fuel being wood chip, supplemented by light fuel oil.

Caithness General Hospital is working with the local community heating company to bring hot water, generated by a wood chip boiler, at the Pultney Distillery as part of a community heating system. The hospital was connected to the main boiler plant in December 2007 and will start to use the hot water generated by the project in 2008.

## **Energy Efficiency**

The Board invested £169k in energy saving initiatives during the financial year. This primarily involved the replacement of lighting units across a variety of sites providing a pay back within 18 months.

Health Facilities Scotland collates climatically adjusted energy consumption data. For the last reported year, 2006/2007, NHS Highland reported a total energy consumption of 123 GJ per 100 cubic metres. This was the 4<sup>th</sup> lowest level of consumption of all Scottish Health Boards.

## **Emissions Trading Scheme**

As indicated in last years report it was agreed that Raigmore Hospital would drop out of the EU Emissions Trading Scheme with effect from the end of December 2007. The Scheme allowed "small emitters" to produce a certain amount of carbon, if they generated more then they had to purchase additional carbon on the open market. All allowances, equivalent to our verified CO<sub>2</sub> emissions were surrendered by the 30<sup>th</sup> of April 2008.

## **Travel Planning**

The Board has worked closely with partners in the independent and private sectors to improve the uptake of active travel and public transport options when getting to work or accessing health services.

The use of video conferencing has reduced the requirement for staff to travel to meetings thus reducing cost and the level of carbon produced.

## **Waste Management**

A number of recycling projects have been initiated.

Paper waste is collected and sent for recycling; likewise confidential waste is collected and shredded prior to recycling. Where possible cardboard is collected and recycled. Printer cartridges are also recycled.

Raigmore was part of a project to examine the possibility of converting food waste into compost.

All of these activities reduce the weight of waste going to land fill.

# Highland Health Board

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## **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 CEL (2007) 22).

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

Garry Coutts, Chair  
Ian Gibson, Vice Chair  
Ray Stewart, Employee Director  
David Alston, Non Executive Director  
Bill Brackenridge, Non Executive Director  
Anne Bethune, Non Executive Director  
Gillian McCreath, Non Executive Director  
Anne Clark, Non Executive Director  
Pam Courcha, Non Executive Director

From October 2005, senior employees covered by the above circular have moved onto a new contract and salaries have been uplifted by 0-3.5%. Performance Related Pay has been paid in year for 2005/2006 and 2006/2007.

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)

	Salary (Gross Pay + Er's Superann uation (Bands of £5,000)	Real increase in pension at age 60 (Bands of £2,500)	Total accrued pension at age 60 at 31 March and related lump sum (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2008 (nearest £k)	Cash Equivalent Transfer Value (CETV) at 31 March 2008 (nearest £k)	Real increase in CETV in year	Benefits in kind (rounded to nearest £100)
<b>Remuneration of:</b>							
<b>Executive Members</b>							
Chief Executive: R Gibbins	130-135	2,501 – 5,000	35 – 40 plus 110 – 115 lump sum	507	587	37	2.2
Director of Public Health: E Bajjal	140-145	2,501 – 5,000	50 – 55 plus 150 – 155 lump sum	709	803	36	0.2
Director of Finance: M Iredale	100-105	0 – 2,500	30 – 35 plus 100 – 105 lump sum	506	578	32	1.1
Other Exec: E Mead	120-125	0 – 2,500	0 – 5 plus 10 – 15 lump sum	34	56	13	3.4
Other exec: I Bashford from 30/04/07	105-110	0 – 2,500	0 – 5 plus 0 – 5 lump sum	0	15	11	0
Other exec: H May	75 - 80	0 – 2,500	0 – 5 plus 0 – 5 lump sum	18	29	6	0
<b>Non Executive Members</b>							
The Chair: G Coutts	30-35	0	0	0	0	0	2.0
R Stewart	40-45	0	0	0	0	0	0
A Bethune	10-15	0	0	0	0	0	2.9
I Gibson	10-15	0	0	0	0	0	3.9
W Petrie to 30/04/07	0-5	0	0	0	0	0	0.5
P Courcha	10-15	0	0	0	0	0	1.2
M Foxley	05-10	0	0	0	0	0	1.0
D Alston	10-15	0	0	0	0	0	1.0
V Shelley	05-10	0	0	0	0	0	1.7
A Clark	05-10	0	0	0	0	0	4.4
H Sheerin to 31/05/07	0-5	0	0	0	0	0	0
W S McKerrow to 30/09/07	0-5	0	0	0	0	0	0
Q Cox from 01/10/07	0-5	0	0	0	0	0	0
W Brackenridge	10-15	0	0	0	0	0	3.0
O McLennan	05-10	0	0	0	0	0	0.7
G McCreath	05-10	0	0	0	0	0	0
C Punler from 01/06/07	05-10	0	0	0	0	0	1.6
E Robertson from 09/07/07	0-5	0	0	0	0	0	0.5
M Davidson from 01/02/08	0-5	0	0	0	0	0	0
<b>Other Snr Employees</b>							
A E Gent	90-95	0 – 2,500	25 – 30 plus 80 – 85 lump sum	366	426	29	2.0
D S Leslie *	90-95	0 – 2,500	35 – 40 plus 105 – 110 lump sum	543	612	36	4.5
M P Lister to 03/01/08	90-95	0	0	0	0	0	0
J M Baird	65-70	0 – 2,500	0 – 5 plus 10 – 15 lump sum	64	85	13	1.1
<b>Total</b>				<b>2,747</b>	<b>3,191</b>	<b>213</b>	<b>40.1</b>

The employee director salary includes 35 - 40k in respect of non board duties

\*The whole year remuneration is included although the postholder transferred to another role on 18<sup>th</sup> February 2008

# Highland Health Board

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

	Salary (Gross Pay + Er's Superannuation (Bands of £5,000)	Real increase in pension at age 60 (Bands of £2,500)	Total accrued pension at age 60 at 31 March and related lump sum (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2007 (nearest £k)	Cash Equivalent Transfer Value (CETV) at 31 March 2007 (nearest £k)	Real increase in CETV in year	Benefits in kind (rounded to nearest £100)
<b>Remuneration of:</b>							
<b>Executive Members</b>							
Chief Executive: R Gibbins	120-125	0 – 2,500	30 – 35 plus 100 – 105 lump sum	457	507	14	4.4
Director of Public Health: E Bajjal	145-150	2,501 – 5,000	45 – 50 plus 140 – 145 lump sum	614	709	46	0
Director of Finance: M Iredale	90-95	0 – 2,500	30 – 35 plus 90 – 95 lump sum	454	506	19	2.9
Other Exec: E Mead	100-105	0 – 2,500	0 – 5 plus 5 – 10 lump sum	17	34	9	9.0
Other exec: A Graham to 28/02/07	125-130	0 – 2,500	20 – 25 plus 65 – 70 lump sum	273	294	(2)	2.0
Other exec: H May	75 - 80	0 – 2,500	0 – 5 plus 0 – 5 lump sum	7	18	6	0
<b>Non Executive Members</b>							
The Chair: G Coutts	25-30	0	0	0	0	0	0
R Stewart	35-40	0	0	0	0	0	0
A Bethune	10-15	0	0	0	0	0	0
I Gibson	10-15	0	0	0	0	0	0
K Fraser to 31/01/07	05-10	0	0	0	0	0	0
W Petrie from 01/04/06	05-10	0	0	0	0	0	0
P Courcha	05-10	0	0	0	0	0	0
M Foxley	05-10	0	0	0	0	0	0
D Alston	10-15	0	0	0	0	0	0
V Shelley from 01/06/06	05-10	0	0	0	0	0	0
A Clark from 01/06/06	05-10	0	0	0	0	0	0
H Sheerin	10-15	0	0	0	0	0	0
W S McKerrow	05-10	0	0	0	0	0	0
W Brackenridge from 01/06/06	05-10	0	0	0	0	0	0
O McLennan from 01/02/07	00-05	0	0	0	0	0	0
G McCreath from 01/02/07	00-05	0	0	0	0	0	0
<b>Other Snr Employees</b>							
A E Gent	85-90	0 – 2,500	20 – 25 plus 70 – 75 lump sum	338	366	2	2.7
D S Leslie	80-85	0 – 2,500	30 – 35 plus 95 – 100 lump sum	500	543	8	4.5
M P Lister	70-75	0 – 2,500	25 – 30 plus 75 – 80 lump sum	430	461	5	0
J M Baird	60-65	0 – 2,500	0 – 5 plus 10 – 15 lump sum	51	64	6	1.1
<b>Total</b>				<b>3,191</b>	<b>3,452</b>	<b>113</b>	<b>26.6</b>
By order of the board							

.....2008 ..... Chief Executive

# Highland Health Board

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## HIGHLAND HEALTH BOARD

### ANNUAL ACCOUNTS 2007/08

#### **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
- prepare the accounts on a going concern basis.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 23<sup>rd</sup> May 2002.

Signed .....

Chief Executive

Date .....

# Highland Health Board

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## HIGHLAND HEALTH BOARD

### ANNUAL ACCOUNTS 2007/08

#### **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 2008 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 NHSScotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards 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 Government Health Department. 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

# Highland Health Board

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## STATEMENT ON INTERNAL CONTROL

### Scope of Responsibility

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

This role is discharged within NHS Highland through a well developed set of accountability arrangements, and a comprehensive approach to risk management, both of which are detailed below. In terms of strategic aims and direction, the Board establishes annual Corporate Objectives to provide a clear focus for ongoing Performance Monitoring and Management, as well as the basis for Personal Objectives of key staff.

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

### Purpose of the System of Internal Control

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

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

### Accountability Arrangements

This is achieved by the reporting through the NHS Board of all relevant information, including performance against objectives. Such reports are in written form which are circulated to Board Members 10 days in advance of meeting and highlight significant variations as well as recording key data. In 2007/08, the NHS Board has met on a monthly basis, alternating between Strategy and Performance to facilitate the discharge of both strategic and operational governance.

The Board is supported in its work by a series of Governance Committees, chaired by Non Executive Directors which each meet on a quarterly cycle. These Committees are Staff Governance, Clinical Governance, Audit, Endowment Funds and Remuneration, all produce formal Minutes which are presented to and agreed by the Board. Similarly, operational areas are covered by the four CHP committees and the Raigmore Hospital Committee.

### Risk and Control Framework

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

# Highland Health Board

The Risk Management process within NHS Highland has operated since 2004/05 has continued in the current year, including risk management within operational areas, including a Corporate Services Group, as well as specific groups covering each Community Health Partnership (CHP) and Raigmore Hospital. All our operational groups, which identify, manage and monitor risks within their own groups, report to and operate under the strategic guidance of the NHS Highland Risk Management Steering Group. This Risk Management Steering Group is chaired by myself as Accountable Officer and includes senior membership through Executive Directors, other Directors and Non Executive input.

The process has been supported during the year, with Risk Management Workshops in specific areas to clarify and prioritise risks.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. The Risk Management Steering Group commissioned a review of the risk management process during the year to ensure it was meeting the needs of the organisation. The recommendations following this review will be implemented during 2008/09.

In the period covering the year to 31 March and up to the signing of the accounts NHS Highland has maintained full reporting over financial, staff and corporate governance, with the commitment of the whole Board to these areas.

## **Review of Effectiveness**

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

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

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

In addition to these specific reports, there are a number of other information sources and methods through which I am able to review the effectiveness of Internal Controls. Some of these operate at national level through the Scottish Government Health Department with validated information produced to facilitate assessment, evaluation and benchmarking of systems, processes and outputs.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Governance Committees – including the Audit Committee, the Risk Management Steering Group, and plan to address weaknesses and ensure continuous improvement of the system is in place. This review process has been supplemented in the current year with an overall QIS Review, which confirmed the overall progress made within NHS Highland, as well as indicating some areas for improvement which are also being actioned.

Performance management arrangements have received particular attention during the year with the ongoing development of the Balanced Scorecard. This is considered at the recently established Performance Review Group which is chaired by the NHS Board Chair. This

# Highland Health Board

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Group holds Executive and Non-executive directors to account for the delivery of specific and measurable targets and concentrates on areas where targets may be problematic to ensure appropriate actions are being taken.

**Disclosures**

During the previous financial year there were no significant control weaknesses nor failure to achieve the standards set out in the guidance on the Statement of Internal Control.

Signed

Date

Chief Executive

# Highland Health Board

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

I have audited the financial statements of Highland Health Board for the year ended 31 March 2008 under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

### **Respective responsibilities of the board, Accountable Officer and auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. I also report whether, in my opinion, the management commentary which comprises the directors' report and that part of the operating and financial review which covers principal activities and financial performance and position, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only those elements of the operating and financial review other than principal activities and financial performance and position and that part of the remuneration report which is not subject to audit. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

# Highland Health Board

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## **Basis of audit opinion**

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

### *Financial statements*

In my opinion

- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the board as at 31 March 2008 and of its net operating cost position, recognised gains and losses and cash flows for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.
- Information which comprises the management commentary included with the Annual Report is consistent with the financial statements.

### *Regularity*

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

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

Date.....

# Highland Health Board

## OPERATING COST STATEMENT

for the year ended 31 March 2008

	Note	2007/08 £'000	2006/07 £'000
<b>Clinical Services Costs</b>			
Hospital and Community	4	435,568	410,109
Less: Hospital and Community Income	8	26,710	23,126
		<u>408,858</u>	<u>386,983</u>
Family Health	5	141,370	137,391
Less: Family Health Income	8	5,231	4,921
		<u>136,139</u>	<u>132,470</u>
<b>Total Clinical Services Costs</b>		<b><u>544,997</u></b>	<b><u>519,453</u></b>
Administration Costs	6	5,207	4,847
Less: Administration Income	8	72	130
		<u>5,135</u>	<u>4,717</u>
Other Non Clinical Services	7	12,329	8,684
Less: Other Operating Income	8	17,283	20,567
		<u>(4,954)</u>	<u>(11,883)</u>
<b>Net Operating Costs</b>		<b><u>545,178</u></b>	<b><u>512,287</u></b>
<b>SUMMARY OF REVENUE RESOURCE OUTTURN</b>			
		<b>2007/08 £'000</b>	<b>2006/07 £'000</b>
<b>Net Operating Costs (per above)</b>		<b>545,178</b>	<b>512,287</b>
Less: Capital Grants (to) Other Bodies	9	(2,983)	(2,404)
Profit on disposal of fixed assets	9	510	-
Less: FHS Non Discretionary Allocation		(25,931)	(24,014)
<b>Net Resource Outturn</b>		<b><u>516,774</u></b>	<b><u>485,869</u></b>
Revenue Resource Limit		522,136	492,698
<b>Saving against Revenue Resource Limit</b>		<b><u>5,362</u></b>	<b><u>6,829</u></b>

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts

# Highland Health Board

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## STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2008

	<b>Note</b>	<b>2007/08 £'000</b>	<b>2006/07 £'000</b>
Net gain on revaluation of tangible fixed assets	11	14,198	11,406
Net (loss) on revaluation of intangible fixed assets	10	(14)	(311)
Movement in Donated Asset Reserve due to receipts	19	96	153
<b>Total recognised gains and for the year</b>		<b>14,280</b>	<b>11,248</b>

# Highland Health Board

## BALANCE SHEET

as at 31 March 2008

	Note	2007/08 £'000	2006/07 £'000
<b>FIXED ASSETS</b>			
Intangible Fixed Assets	10	0	21
Tangible Fixed assets	11	273,752	254,226
<b>Total Fixed Assets</b>		<b>273,752</b>	<b>254,247</b>
<b>Debtors falling due after more than one year</b>	13	<b>10,661</b>	<b>11,394</b>
<b>CURRENT ASSETS</b>			
Stocks	12	4,381	3,808
Debtors	13	24,780	16,566
Cash at bank and in hand	14	171	1,579
		<b>29,332</b>	<b>21,953</b>
<b>CURRENT LIABILITIES</b>			
Creditors due within one year	15	(68,202)	(61,700)
<b>Net current (liabilities)</b>		<b>(38,870)</b>	<b>(39,747)</b>
<b>Total assets less current liabilities</b>		<b>245,543</b>	<b>225,894</b>
<b>CREDITORS DUE AFTER MORE THAN 1 YEAR</b>	15	<b>(14,494)</b>	<b>(14,476)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<b>(8,784)</b>	<b>(6,783)</b>
		<b>(23,278)</b>	<b>(21,259)</b>
		<b>222,265</b>	<b>204,635</b>
<b>FINANCED BY:</b>			
General Fund	18	123,916	118,507
Revaluation Reserve	19	93,831	81,472
Donated Asset Reserve	19	4,518	4,656
		<b>222,265</b>	<b>204,635</b>

Adopted by the Board on .....2008

..... Director of Finance

.....Chief Executive

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

# Highland Health Board

## CASH FLOW STATEMENT for the year ended 31 March 2008

	Note	2007/08 £'000	2006/07 £'000
<b>NET OPERATING CASHFLOW</b>			
Net cash outflow from operating activities		(523,558)	(500,213)
<b>CAPITAL EXPENDITURE</b>			
Payment to acquire fixed assets		(20,704)	(13,818)
Receipts from sales of fixed assets		2,257	9,444
Net cash (outflow) for capital expenditure		(18,447)	(4,374)
Net cash (outflow) before Financing		(542,005)	(504,587)
<b>FINANCING</b>			
Funding	18	541,944	502,885
Movement in general fund working capital	18	(1,024)	421
Cash drawn down		540,920	503,306
Capital element of finance lease and PFI payments		35	1,702
Net cash inflow from financing		540,955	505,008
<b>(Decrease)/Increase in cash in year</b>		<b>(1,050)</b>	<b>421</b>
<b>NOTES</b>			
<b>1. Reconciliation of operating cost to operating cash flow</b>			
Net Operating Cost for the year		(545,178)	(512,287)
Expenditure not involving payment of cash	3	19,384	14,408
Net movement on working capital	17	2,236	(2,334)
Operating cash outflow		(523,558)	(500,213)
(Decrease)/Increase in cash in year		(1,050)	421
Net debt/cash at 1 April	14	578	157
<b>Net debt/cash at 31 March</b>	14	<b>(472)</b>	<b>578</b>

# Highland Health Board

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## HIGHLAND HEALTH BOARD

### ACCOUNTING POLICIES

#### 1. Authority

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

#### 2. 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.

#### Accounting Convention

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

#### 3. Funding

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government Health Department 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 and is recognised in the period in which it is receivable.

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

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

#### 4. Fixed Assets

The treatment of fixed 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.

##### 4.1 Capitalisation

All assets falling into the following categories are capitalised:

- 1) Tangible assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 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.

# Highland Health Board

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- 3) Intangible assets which can be valued, are capable of being used in a Board's activities for more than one year and have a replacement cost equal to or greater than £5,000.
- 4) 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.

## 4.2 Valuation

Fixed assets are valued as follows:

Specialised NHS Land, buildings, installations and fittings are stated at depreciated replacement cost, other than surplus land and buildings which are stated at market value. Non specialised land and buildings, such as offices, are stated at the lower of replacement cost or recoverable amount.

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 Health Department.

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

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

To meet the underlying objectives established by the Scottish Government Health Department 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 only;

No adjustment has been made to the cost figures of operational assets in respect of dilapidations; and

Additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:

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

# Highland Health Board

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## 4.3 Depreciation

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

- 1) Freehold land and assets under construction are not depreciated.
- 2) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset as advised by the appointed valuer which are assessed in the context of the maximum useful lives for building elements.
- 3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

	<b>Years</b>
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

## 4.4 Intangible Assets

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

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

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

## 4.5 Donated Assets

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

# Highland Health Board

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## **4.6 Sale of Fixed Assets**

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

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

## **4.7 Leasing**

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after more than one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period, or a reasonable approximation thereto.

Rentals under operating leases are charged on a straight-line basis.

Where a Health Board leases assets to others which are material they must disclose the accounting policy used for these leases.

## **4.8 Carbon Emissions (Intangible Assets)**

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

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

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

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

## **5. Research and Development**

Expenditure on Research and Development is written off to revenue as it is incurred, except insofar as it relates to a clearly defined project, for which related expenditure is separately identifiable, the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and affordability in the context of the Health Board's operations, and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential

# Highland Health Board

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increases in working capital. The benefits from which can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the operating cost statement on a systematic basis over the period expected to benefit from the project.

## **6. General Fund Debtors and Creditors**

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

## **7. Stocks**

Taking into account the high turnover of NHS stocks, the use of average purchase price is deemed to represent the lower of cost and net realisable value. Work in progress is valued at the cost of the direct materials plus the conversion costs incurred to bring the goods up to their present degree of completion.

## **8. 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.

## **9. Pension Costs**

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

## **10. Clinical and Medical Negligence Costs**

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

## **11. Related Party Transactions**

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

## **12. Value Added Tax**

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

# Highland Health Board

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## **13. PFI Schemes**

The NHS follows HM Treasury's Technical Note 1 (Revised) 'How to Account for PFI Transactions' which provides practical guidance for the application of the FRS 5 amendment.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. 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 Operating Cost Statement. 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.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Board, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease and a service charge.

## **15. 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.

## **16. Corresponding Amounts**

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, FRS 28 'corresponding amounts' requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees	2007/08 Total £'000	2006/07 Total £'000
<b>STAFF COSTS</b>								
Salaries and wages	928	151	200,254	0	542	1108	202,983	197,814
Social security costs NHS scheme employers' costs	99	11	19,606	0	38	(1)	19,753	15,614
Inward Secondees	0	0	0	62	0	0	62	123
Agency Staff	0	0	0	0	7,712	0	7,712	7,284
	<b>1,145</b>	<b>162</b>	<b>249,471</b>	<b>62</b>	<b>8,335</b>	<b>1,104</b>	<b>260,279</b>	<b>244,058</b>
Compensation for loss of office	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,145</b>	<b>162</b>	<b>249,471</b>	<b>62</b>	<b>8,335</b>	<b>1,104</b>	<b>260,279</b>	<b>244,058</b>

### STAFF NUMBERS

#### (EMPLOYEES BY WHOLE TIME EQUIVALENT)

	2007/08 ANNUAL MEAN	2006/07 ANNUAL MEAN
Administration Costs	98.0	104.2
Hospital and Community Services	6,888.3	6,734.5
Non Clinical Services	141.4	119.9
Other including Recharge Trading Accounts	0.0	0.0
Inward Secondees	1.0	1.9
Outward Secondees	(25.0)	(23.0)
<b>Board Total Average Staff</b>	<b>7,103.7</b>	<b>6,937.5</b>
Disabled Staff	88.0	24.1

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in note 25

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 2. (b) HIGHER PAID EMPLOYEES REMUNERATION

	<b>2007/08 Number</b>	<b>2006/07 Number</b>
Other employees whose remuneration fell within the following ranges:		
<b>Clinicians</b>		
£ 50,000 to £ 60,000	76	59
£ 60,001 to £ 70,000	51	39
£ 70,001 to £ 80,000	28	30
£ 80,001 to £ 90,000	36	27
£ 90,001 to £100,000	23	27
£100,001 to £110,000	29	22
£110,001 to £120,000	28	29
£120,001 to £130,000	28	19
£130,001 to £140,000	15	13
£140,001 to £150,000	12	14
£150,001 and above	23	16
<b>Other</b>		
£ 50,000 to £ 60,000	38	16
£ 60,001 to £ 70,000	20	4
£ 70,001 to £ 80,000	5	2
£ 80,001 to £ 90,000	0	0
£ 90,001 to £100,000	0	0
£100,001 to £110,000	0	0
£110,001 to £120,000	0	0
£120,001 to £130,000	1	1
£130,001 to £140,000	0	0
£140,001 to £150,000	0	0
£150,001 and above	0	0

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 3. OTHER OPERATING COSTS

	Note	2007/08 £'000	2006/07 £'000
<b>Expenditure Not Paid In Cash</b>			
Depreciation	11	12,884	13,165
Cost of Capital	18	7,031	6,815
Revaluation EC Carbon emissions taken to Govt Grant (Profit) on disposal of purchased fixed assets		15 (546)	311 (5,882)
Other non cash costs		0	(1)
<b>Total Expenditure Not Paid In Cash</b>		<b>19,384</b>	<b>14,408</b>
<b>Travel, Subsistence and Hospitality</b>		<b>4,116</b>	<b>3,677</b>
<b>Interest Payable</b>			
Finance lease charges allocated in the year		560	375
<b>Total</b>		<b>560</b>	<b>375</b>
<b>Operating Lease Rentals:</b>			
Hire of equipment (including vehicles)		2,705	2,527
Other operating leases		1,095	564
<b>Total</b>		<b>3,800</b>	<b>3,091</b>
<b>Aggregate Rentals Receivable in the year</b>			
Total of finance and operating leases		<b>263</b>	<b>206</b>
<b>Statutory Audit</b>			
External auditor's remuneration and expenses		<b>273</b>	<b>273</b>
<b>PFI/PPP and Similar Contracts</b>			
Interest charge relating to on-balance-sheet PFI/PPP contracts		1,754	3,925
Other charges relating to on-balance-sheet PFI/PPP contracts		1,801	1,733
Service charge relating to off-balance-sheet PFI/PPP contracts		2,631	2,211
<b>Total</b>		<b>6,186</b>	<b>7,869</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	<b>2007/08</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
<b>BY PROVIDER</b>		
Treatment in Board area of NHSScotland Patients	353,622	335,703
Other NHSScotland Bodies	57,357	50,751
Health Bodies outside Scotland	509	384
Primary Care Bodies	3	3
Private sector	2,997	2,480
<b>Community Care</b>		
Resource Transfer	14,387	14,638
Contributions to Voluntary Bodies and Charities	4,433	3,907
<b>Total NHSScotland Patients</b>	<b>433,308</b>	<b>407,866</b>
Treatment of UK residents based outside Scotland	2,260	2,243
<b>Total Hospital and Community Health Service</b>	<b>435,568</b>	<b>410,109</b>
<b>BY SERVICE CATEGORY</b>		
Acute services	243,264	230,489
Maternity services	17,717	16,737
Geriatric Assessment	2,582	2,526
Mental health services	55,100	51,600
Learning Disability	10,735	10,542
Geriatric Long Stay	13,042	13,292
Young Physically Disabled	859	675
Other community services	79,403	73,480
Other services	7,367	6,789
<b>Total Care Expenditure</b>	<b>430,069</b>	<b>406,130</b>
<b>Other HCH Expenditure</b>		
Additional Costs of Teaching	1,860	1,517
Research & Development	262	219
UK Residents based outside Scotland	2,260	2,243
Other	1,117	0
<b>Total as Above</b>	<b>435,568</b>	<b>410,109</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 5. FAMILY HEALTH SERVICE EXPENDITURE

	<b>Unified Budget £'000</b>	<b>Non Disc £'000</b>	<b>2007/08 TOTAL £'000</b>	<b>2006/07 TOTAL £'000</b>
Primary Medical Services	55,769	0	55,769	53,271
Pharmaceutical Services	57,199	7,736	64,935	66,159
General Dental Services	441	15,863	16,304	14,572
General Ophthalmic Services	88	4,274	4,362	3,389
<b>Total</b>	<b>113,497</b>	<b>27,873</b>	<b>141,370</b>	<b>137,391</b>

### 6. ADMINISTRATION COSTS

	<b>2007/08 £'000</b>	<b>2006/07 £'000</b>
Board members' remuneration	1,307	1,230
Administration of Board Meetings and Committees	626	612
Corporate Governance and Statutory Reporting	1,202	1,174
Health Planning, Commissioning and Performance Reporting	1,348	1,252
Treasury Management and Financial Planning	431	338
Public Relations	293	241
<b>Total Administration Costs</b>	<b>5,207</b>	<b>4,847</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 7. OTHER NON CLINICAL SERVICES

	2007/08 £'000	2006/07 £'000
Closed hospital charges	71	13
Compensation payments – Clinical	3,436	944
Compensation payments – Other	69	93
Pension enhancement and redundancy	65	219
Patients' Travel Attending Hospitals	349	374
Patients' Travel Highlands and Islands scheme	1,551	1,248
Health Promotion	2,086	2,610
Public Health	2,451	2,090
Public Health Medicine Trainees	133	34
Emergency Planning	0	12
Post Graduate Medical Education	130	134
Shared Services	18	0
Loss on disposal of fixed assets	91	49
Other	1,879	864
<b>Total Other Non Clinical Services</b>	<b>12,329</b>	<b>8,684</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 8. OPERATING INCOME

	2007/08 £'000	2006/07 £'000
<b>HCH Income</b>		
<b>NHS Bodies</b>		
- SGHD	248	380
- Boards	22,586	19,273
- NHS Non-Scottish Bodies	2,909	2,041
<b>Non NHS</b>		
Private Patients	537	721
RTA Income	409	563
Other HCH income	21	148
<b>Total HCH Income</b>	<b>26,710</b>	<b>23,126</b>
<b>FHS Income</b>		
Discretionary	3,431	3,287
<b>Non Discretionary</b>		
General Dental Services	1,794	1,630
General Ophthalmic Services	6	4
<b>Total FHS Income</b>	<b>5,231</b>	<b>4,921</b>
<b>Administration Income</b>	<b>72</b>	<b>130</b>
<b>Other Operating Income</b>		
NHS Scotland Bodies	43	0
Contributions in respect of Clinical/medical negligence claims	3,227	824
Profit on disposal of fixed assets	601	5,931
Transfer from Donated Asset Reserve in respect of Depreciation	453	333
Transfer from Donated Asset Reserve in respect of Disposals	10	1
Interest Received	1	0
Other	12,948	13,478
<b>Total Other Operating Income</b>	<b>17,283</b>	<b>20,567</b>
<b>Total Income</b>	<b>49,296</b>	<b>48,744</b>
<b>Of the above, the amount derived from NHS bodies is</b>	<b>25,786</b>	<b>21,515</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 9. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2007/08 £'000	2006/07 £'000
<b>EXPENDITURE</b>			
Acquisition of Intangible Fixed Assets	10	1	57
Acquisition of Tangible Fixed Assets	11	20,281	15,469
Capital grants to other bodies		2,983	2,404
(Profit) on disposal of fixed assets		(510)	0
		<u>22,755</u>	<u>17,930</u>
<b>Gross Capital Expenditure</b>			
<b>INCOME</b>			
Net Book Value of disposal of Intangible Fixed Assets	10	8	0
Net book value of disposal of Tangible Fixed Assets	11	1,703	3,562
		<u>1,711</u>	<u>3,562</u>
<b>Capital Income</b>			
<b>Net Capital Expenditure</b>			
		<u>21,044</u>	<u>14,368</u>
<b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>			
Net capital expenditure as above		21,044	14,368
Capital Resource Limit		21,071	14,804
		<u>27</u>	<u>436</u>
<b>Saving against Capital Resource Limit</b>			

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 10. INTANGIBLE FIXED ASSETS

	Software Licences	EC Carbon Emissions	Other Intangible	2007/08 Total	2006/07 Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation:</b>					
As at 1st April	0	21	0	21	275
Additions	0	1	0	1	57
Donations	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	(8)	0	(8)	0
Revaluation	0	(14)	0	(14)	(311)
Impairment Charge	0	0	0	0	0
Impairment Reversal	0	0	0	0	0
<b>At 31st March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>
<b>Amortisation</b>					
At 1st April	0	0	0	0	0
Provided during the year	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluation	0	0	0	0	0
Impairment Charge	0	0	0	0	0
Impairment Reversal	0	0	0	0	0
<b>At 31st March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value at 1st April</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>21</b>	<b>275</b>
<b>Net Book Value at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

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

	Land and Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant and Machinery £'000	Information Technology £'000	Furniture and Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>								
At 1 April 2007	240,987	9,029	1,695	27,422	6,987	2,134	5,763	294,017
Additions	3,234	5	63	1,310	303	24	15,342	20,281
Completions	4,553	459	0	3,400	1,348	538	(10,298)	0
Transfers	0	0	0	(7)	9	(2)	0	0
Revaluation	11,847	574	0	0	0	0	583	13,004
Disposals	(2,802)	0	(10)	(1,490)	(420)	(61)	(64)	(4,847)
<b>At 31 March 2008</b>	<b>257,819</b>	<b>10,067</b>	<b>1,748</b>	<b>30,635</b>	<b>8,227</b>	<b>2,633</b>	<b>11,326</b>	<b>322,455</b>
<b>Depreciation</b>								
At 1 April 2007	24,864	605	1,066	14,080	2,948	884	0	44,447
Provided during the year	8,438	227	167	2,718	1,126	208	0	12,884
Transfers	0	0	0	(7)	9	(2)	0	0
Revaluation	(1,018)	52	0	0	0	0	0	(966)
Disposals	(1,243)	0	(10)	(1,411)	(418)	(62)	0	(3,144)
<b>At 31 March 2008</b>	<b>31,041</b>	<b>884</b>	<b>1,223</b>	<b>15,380</b>	<b>3,665</b>	<b>1,028</b>	<b>0</b>	<b>53,221</b>
<b>Net book value at 1 April 2007</b>	<b>216,123</b>	<b>8,424</b>	<b>629</b>	<b>13,342</b>	<b>4,039</b>	<b>1,250</b>	<b>5,763</b>	<b>249,570</b>
<b>Net book value at 31 March 2008</b>	<b>226,778</b>	<b>9,183</b>	<b>525</b>	<b>15,255</b>	<b>4,562</b>	<b>1,605</b>	<b>11,326</b>	<b>269,234</b>
<b>Open Market Value of Land and Dwellings Included above</b>	<b>1,745</b>	<b>0</b>						

# Highland Health Board

## NOTES TO THE ACCOUNTS

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

	Land and Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant and Machinery £'000	Information Technology £'000	Furniture and Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>								
At 1 April 2007	3,819	286	68	2,528	39	65	0	6,805
Additions	0	0	0	96	0	0	0	96
Transfers	(14)	14	0	10	(7)	(3)	0	0
Revaluation	236	18	0	0	0	0	0	254
Disposals	0	0	0	(110)	0	0	0	(110)
<b>At 31 March 2008</b>	<b>4,041</b>	<b>318</b>	<b>68</b>	<b>2,524</b>	<b>32</b>	<b>62</b>	<b>0</b>	<b>7,045</b>
<b>Depreciation</b>								
At 1 April 2007	305	13	53	1,686	32	60	0	2,149
Provided during the year	110	7	7	326	0	2	0	452
Transfers	(8)	8	(2)	6	0	(4)	0	0
Revaluation	24	2	0	0	0	0	0	26
Disposals	0	0	0	(100)	0	0	0	(100)
<b>At 31 March 2008</b>	<b>431</b>	<b>30</b>	<b>59</b>	<b>1,917</b>	<b>32</b>	<b>58</b>	<b>0</b>	<b>2,527</b>
At start of year	3,514	273	15	842	7	5	0	4,656
At end of year	3,610	288	9	607	0	4	0	4,518
<b>Open Market Value of Land and Dwellings included above</b>	<b>0</b>	<b>0</b>						

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 11. (c) FIXED ASSET DISCLOSURES

	2007/08	2006/07
Note	£'000	£'000
<b>Net book value of tangible fixed assets at 31 March</b>		
Purchased	11a 269,234	249,570
Donated	11b 4,518	4,656
<b>Total</b>	<b>273,752</b>	<b>254,226</b>
Net book value related to land valued at open market value at 31 March	627	1,503
Net book value related to buildings valued at open market value At 31 March	1,118	251
<b>Total value of assets held under:</b>		
Finance Leases and Hire Purchase Contracts	2,152	2,233
PFI/PPP contracts	12,650	12,696
	<b>14,802</b>	<b>14,929</b>
<b>Total depreciation charged in respect of assets held under:</b>		
Finance leases and hire purchase contracts	191	186
PFI and PPP contracts	696	662
	<b>887</b>	<b>848</b>

Land and buildings were fully revalued by the Valuation Office Agency at 31 March 2004 on the basis of existing use or market value, where no longer in use. Other tangible fixed assets were revalued on the basis of indices at 31 March.

The gross impact was an increase in value of £13.97 m, of which £13.97 m was credited to the revaluation reserve.

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 12. STOCK AS AT 31 MARCH 2008

	2007/08 £'000	2006/07 £'000
Raw Materials and Consumables	4,381	3,808
<b>Total Stock</b>	<b>4,381</b>	<b>3,808</b>

### 13. DEBTORS AT 31 MARCH 2008

	2007/08 £'000	2006/07 £'000
<b>Debtors due within one year</b>		
<b>NHSScotland</b>		
- SGHD	53	50
- Boards	7,293	1,119
<b>Total NHSScotland Debtors</b>	<b>7,346</b>	<b>1,169</b>
NHS Non-Scottish Bodies	553	1,005
General Fund Debtor	472	0
VAT Recoverable	893	445
Prepayments and accrued income	8,443	8,676
Other Debtors	1,807	1,478
Reimbursements of provisions	4,688	2,535
Other Public Sector Bodies	578	1,258
<b>Total Debtors due within one year</b>	<b>24,780</b>	<b>16,566</b>
<b>Debtors due after more than one year</b>		
Prepayments and accrued income	10,657	11,391
Other Debtors	4	3
<b>Total Debtors due after more than one year</b>	<b>10,661</b>	<b>11,394</b>
<b>TOTAL DEBTORS</b>	<b>35,441</b>	<b>27,960</b>
The total debtors figure above includes a provision for bad debts of:	595	488

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 14. CASH AT BANK AND IN HAND

	Note	At 01/04/07 £'000	Cash Flow £'000	At 31/03/08 £'000
OPG account balance		1,547	(1,414)	133
Cash at bank and in hand		32	6	38
<b>Total cash - balance sheet</b>		<b>1,579</b>	<b>(1,408)</b>	<b>171</b>
Overdrafts	15	(1,001)	358	(643)
<b>Total cash - cash flow statement</b>		<b>578</b>	<b>(1,050)</b>	<b>(472)</b>

		At 01/04/06 £'000	Cash Flow £'000	At 31/03/07 £'000
<b>Prior Year</b>				
OPG account balance		1,017	530	1,547
Cash at bank and in hand		32	0	32
<b>Total cash - balance sheet</b>		<b>1,049</b>	<b>530</b>	<b>1,579</b>
Overdrafts	15	(892)	(109)	(1,001)
<b>Total cash - cash flow statement</b>		<b>157</b>	<b>421</b>	<b>578</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 15. CREDITORS AT 31 MARCH 2008

	Note	2007/08 £'000	2006/07 £'000
<b>Creditors due within one year</b>			
<b>NHSScotland</b>			
- Boards		3,524	4,655
<b>Total NHSScotland Creditors</b>		<b>3,524</b>	<b>4,655</b>
NHS Non-Scottish Bodies		15	7
General Fund Creditor		0	552
FHS Practitioners		14,880	13,012
Trade Creditors		4,667	3,188
Accruals		32,232	28,475
Payments received on account		809	740
Net obligations under Finance Leases	23	89	95
Net obligations under PFI Contracts	24	190	167
Bank overdrafts	14	643	1,001
Income tax and social security		5,409	5,119
Superannuation		3,108	2,894
CIS		15	0
Other Public Sector Bodies		1,839	1,020
EC Carbon Emissions Grant		0	5
Other creditors		782	770
<b>Total Creditors due within one year</b>		<b>68,202</b>	<b>61,700</b>
The Accruals figure above includes an accrual for Agenda for Change payroll costs of		<b>13,513</b>	<b>13,483</b>
<b>Creditors due after more than one year</b>			
Net obligations under Finance Leases due within 5 years	23	360	397
Net obligations under Finance Leases due after 5 years	23	1,699	1,452
Net obligations under PFI Contracts due within 5 years	24	1,093	955
Net obligations under PFI Contracts due after 5 years	24	11,342	11,672
<b>Total Creditors due after more than one year</b>		<b>14,494</b>	<b>14,476</b>
<b>TOTAL CREDITORS</b>		<b>82,696</b>	<b>76,176</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Pensions £'000</b>	<b>Clinical and Medical £'000</b>	<b>EC Carbon Emissions £'000</b>	<b>Other £'000</b>	<b>2008 Total £'000</b>	<b>2007 Total £'000</b>
At 1 April 2007	3,817	2,779	18	169	6,783	7,323
Arising during the year	77	2,547	0	180	2,804	2,945
Utilised during the year	(217)	(233)	(18)	(40)	(508)	(3,056)
Reversed unutilised	0	(295)	0	0	(295)	(429)
<b>At 31 March 2008</b>	<b>3,677</b>	<b>4,798</b>	<b>0</b>	<b>309</b>	<b>8,784</b>	<b>6,783</b>

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

The Pension Provision above relates only to the employees of NHS Highland and not for any past employees of the former Argyll & Clyde Health Board.

We have surrendered our GHG permit under the EC Carbon Emission Scheme together with all allowances equivalent to verified co2 emissions to 31<sup>st</sup> December 2007 and as such no longer require to hold a provision.

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 17. MOVEMENT ON WORKING CAPITAL BALANCES

	Note	Opening Balances £'000	Closing Balances £'000	Net Movement £'000
<b>STOCK</b>				
Balance Sheet	12	3,808	4,381	
<b>Net (Increase)</b>				<b>(573)</b>
<b>DEBTORS</b>				
Due within one year	13	16,566	24,780	
Due after more than one year	13	11,394	10,661	
		<u>27,960</u>	<u>35,441</u>	
Less General Fund Debtor included in above		(0)	(472)	
		<u>27,960</u>	<u>34,969</u>	
<b>Net (Increase)</b>				<b>(7,009)</b>
<b>CREDITORS</b>				
Due within one year	15	61,700	68,202	
Due after more than one year	15	14,476	14,494	
Less: Capital included in above		(2,054)	(1,632)	
Less: Bank Overdraft	15	(1,001)	(643)	
Less: General Fund Creditor included in above	15	(552)	0	
Less: Lease and PFI Creditors included in above	15	(14,738)	(14,773)	
		<u>57,831</u>	<u>65,648</u>	
<b>Net Increase</b>				<b>7,817</b>
<b>PROVISIONS</b>				
Balance Sheet	16	6,783	8,784	
<b>Net Increase</b>				<b>2,001</b>
<b>NET MOVEMENT Increase</b>				<b>2,236</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 18. GENERAL FUND

	Note	2007/08 £'000	2006/07 £'000
<b>General Fund at 1 April 2007</b>		<b>118,507</b>	<b>120,754</b>
Opening General Fund Creditor		552	131
Add: Cash Drawn Down		540,920	503,306
Add/(Less): Closing General Fund Debtor/(Creditor)		472	(552)
<b>Net Funding</b>		<b>541,944</b>	<b>502,885</b>
Net Operating Cost for the Year		(545,178)	(512,287)
Cost of Capital	3	7,031	6,815
Transfer of Realised Element of Revaluation Reserve	19	1,612	340
<b>Net increase/(decrease) in General Fund</b>		<b>5,409</b>	<b>(2,247)</b>
<b>General Fund at 31 March 2008</b>		<b>123,916</b>	<b>118,507</b>

### 19. MOVEMENT ON RESERVES

	Note	2007/08 £'000	2006/07 £'000
<b>Revaluation Reserve</b>			
Balance at 1 April		81,472	70,591
Indexation/Revaluation of fixed assets	11	13,971	11,221
Transfer of realised element to general fund	18	(1,612)	(340)
<b>Balance at 31 March 2008</b>		<b>93,831</b>	<b>81,472</b>
<b>Donated Asset Reserve</b>			
Balance at 1 April		4,656	4,652
Indexation/Revaluation of fixed assets	11a	228	185
Additions of donated assets	11b	96	153
Release to the Operating Cost Statement		(462)	(334)
<b>Balance at 31 March 2008</b>		<b>4,518</b>	<b>4,656</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 20. CONTINGENT LIABILITIES

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

<b>Nature</b>	<b>2007/08 £'000</b>	<b>2006/07 £'000</b>
<b>Clinical and medical compensation payments</b>	1,923	3,428
<b>Employer's liability</b>	297	250
<b>Third Party Liability</b>	16	5
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>2,236</b>	<b>3,683</b>

NHS Highland has received 225 claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under the pay arrangements that preceded Agenda for Change.

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 5 years.

In addition some cases are being pursued that comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims until this challenge has been determined.

Progress of these claims is not judged to be sufficiently advanced to determine the likelihood of their failure or success nor to estimate what their value could be. It is therefore not possible to make an estimate of any financial impact that may arise.

# Highland Health Board

## 20. CONTINGENT ASSETS

Nature	2007/08 £'000	2006/07 £'000
Clinical and medical compensation payments	1,340	2,515
Employer's liability	160	65
Third Party Liability	0	0
<b>TOTAL CONTINGENT ASSETS</b>	<b>1,500</b>	<b>2,580</b>

These contingent assets relate wholly to amounts recoverable from CNORIS in relation to claims disclosed as a contingent liability.

## 21. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

## 22. COMMITMENTS

### Capital Commitments

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

	2008 £'000	2007 £'000
<b>Contracted</b>		
Lin Acc Raigmore	5,052	0
Grantown Dental	160	0
E Health Schemes	214	0
New Fire Alarms Raigmore	0	2,000
Skye Hospitals Project - MacKinnon	0	180
Kyle Health Centre	1,000	3,000
Care of Elderly - Sutherland	0	22
Renal - Raigmore	0	155
Pre Op Assessment	0	20
Decant Angiography Suite	0	233
Replace Boilers	0	6
3rd Endoscopy Room Raigmore	0	1,000
Radiography Information System	0	110
PCCPMP Dental Culloden	0	63
Garelochhead Medical Centre	0	13
<b>Total</b>	<b>6,426</b>	<b>6,802</b>

# Highland Health Board

## Authorised but not Contracted

PCCPMP Broadford	0	900
Skye Hospitals Project – MacKinnon/Broadford	1,352	308
Care of Elderly – Sutherland	7,025	5,843
PMS GP Premises	0	123
PCCPMP Inverness Community Resource	800	800
Cath Lab Raigmore	1,470	2,156
7 <sup>th</sup> Floor Raigmore	3,260	0
3rd Floor Shell Raigmore	2,247	1,372
3rd Endoscopy Room Raigmore	0	167
Day Surgery Centre Raigmore inc Renal	18,708	13,512
Lin Acc Raigmore	2,137	4,702
Waiting Times Ortho	0	247
Ophthalmology	650	650
PCCPMP Dental Portree	1,285	1,283
PCCPMP Dental Fort William	0	95
PCCPMP Dental Grantown	295	475
PCCPMP Dental Invergordon	500	550
PCCPMP Dental Dingwall	735	935
PCCPMP Dental Tain	419	0
Nairn Dental	769	0
Medical Equipment	700	1588
CfHS Equipment	0	289
Fire Alarms Raigmore	0	140
Replacement Gas Mains	0	300
Dunoon Community Casualty Unit	1,894	3,070
Bunessan GP Surgery	1,153	1,349
Campletown Hospital Redesign	0	335
Mid Argyll Helipad	0	274
E Health Schemes	486	0
DDA Compliance	0	188
Audiology Rooms Upgrade	0	161
Decontamination works - various	0	982
CT Scanner (Building & Equipment)	900	0
Other Schemes	7,333	1,405
<b>Total</b>	<b>54,118</b>	<b>44,199</b>

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 23. COMMITMENTS UNDER LEASES

#### Operating Leases

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

	2008 £'000	2007 £'000
<b>Obligations under operating leases comprise:</b>		
<b>Land and Buildings</b>		
Within one year	52	13
Between two and five years (inclusive)	138	42
After five years	881	498
	<b>1,071</b>	<b>553</b>
<b>Other</b>		
Within one year	440	406
Between two and five years (inclusive)	1,569	1,650
After five years	2	2
	<b>2,011</b>	<b>2,058</b>

#### Finance Leases

Commitments under finance leases to pay rentals in years following the year of these accounts are given in the table below.

	Note	2008 £'000	2007 £'000
<b>Obligations under Finance leases comprise:</b>			
<b>Land and Buildings</b>			
Rentals due within one year	15	234	198
Rentals due between two and five years (inclusive)	15	937	829
Rentals due after five years	15	3,400	3,740
		4,571	4,767
Less interest element		(2,780)	(3,390)
		<b>1,791</b>	<b>1,377</b>
<b>Other</b>			
Rentals due within one year	15	130	131
Rentals due between two and five years (inclusive)	15	487	498
Rentals due after five years	15	16	269
		633	898
Less interest element		(276)	(331)
		<b>357</b>	<b>567</b>

This total net obligation under finance leases is analysed in Note 15 (Creditors)

# Highland Health Board

## NOTES TO THE ACCOUNTS

### 24. COMMITMENTS UNDER PFI CONTRACTS

The Board has entered into the following PFI contracts.

#### OFF BALANCE SHEET

Provision of Easter Ross Primary Care Centre

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 health resource. The contract commenced on 09/02/05 with an estimated capital cost of £8.83m. There is a twenty five year contract and the PFI property will revert to the Board at the end of the contract and has a reversionary interest value of £9,547m.

Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead

NHS Highland financed the development of the Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The PFI is not an asset of the NHS Board. 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 £19.2m and has a reversionary interest value of £12,815m.

#### ON BALANCE SHEET

Provision of New Craigs Hospital.

Start 01.07.00, end 30.06.25

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 £14.4m. The PFI is scored as an On Balance Sheet scheme.

The balance of the risks and rewards of ownership of on balance sheet PFI/PPP property are borne by the Board and included in the Board's accounts as a fixed 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:

	Note	2008 £'000	2007 £'000
<b>Imputed finance lease obligation under on-balance-sheet PFI/PPP contracts comprises:</b>			
Rentals due within 1 year	15	1,922	1,922
Rentals due within 2 to 5 years	15	7,689	7,689
Rentals due thereafter	15	24,047	25,970
		<u>33,658</u>	<u>35,581</u>
<b>Less Interest element</b>		<u>(21,033)</u>	<u>(22,787)</u>
<b>Total</b>		<b><u>12,625</u></b>	<b><u>12,794</u></b>

Amounts charged to the Operating Cost Statement in respect of service elements of on balance sheet PFI transactions

	2008 £'000	2007 £'000
New Craigs Hospital	3,555	5,658

# Highland Health Board

## Future Commitments

The payments to which the Board is committed during 2008-2009 in respect of PFI/PPP on Balance Sheet transactions, analysed by the period during which the commitment expires, are as follows:

Expiry within 1 year	0	0
Expiry within 2 to 5 years	0	0
Expiry within 6 to 10 years	0	0
Expiry within 11 to 15 years	0	0
Expiry within 16 to 20 years	3,531	0
Expiry within 21 to 25 years	0	3,487
Expiry within 26 to 30 years	0	0
<b>Total</b>	<b>3,531</b>	<b>3,487</b>

Amounts charged to the Operating Cost Statement in respect of service elements of off balance sheet PFI transactions

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Easter Ross Primary Care Centre	1,199	1,151
MAH & Integrated Care Centre	1,859	1,795
<b>Total</b>	<b>3,058</b>	<b>2,946</b>

## Future Commitments

The payments to which the Board is committed during 2007-2008 in respect of PFI/PPP off Balance Sheet transactions, analysed by the period during which the commitment expires, are as follows:

Expiry within 1 year	0	0
Expiry within 2 to 5 years	0	0
Expiry within 6 to 10 years	0	0
Expiry within 11 to 15 years	0	0
Expiry within 16 to 20 years	0	0
Expiry within 21 to 25 years	1,143	0
Expiry within 26 to 30 years	1,859	2,888
<b>Total</b>	<b>3,002</b>	<b>2,888</b>

# Highland Health Board

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## NOTES TO THE ACCOUNTS

### 25. 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 Financial Reporting Standard 17.

For 2007-08, normal employer contributions of £29,769,000 were payable to the SPPA (prior year £23,223,000) at the rate of 14% (14% in previous year) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £30,000 (prior year £234,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities.

Provisions amounting to £1,783,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 6% (5% for manual staff) 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.

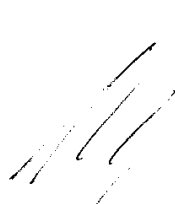

	2007-08	2006-07
	£'000	£'000
Pension cost charge for the year	29,769	23,223
Additional costs arising from early retirement	30	234
Provisions/Pre-payments included in the Balance Sheet	1,783	1,921



## 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