Highland Health Board

ANNUAL REPORT and ACCOUNTS

for

THE YEAR ENDED 31 MARCH 2015

Highland Health Board

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2015

MANAGEMENT COMMENTARY

STRATEGIC REPORT

1. Strategy, Principal Activities and Review of the Year

The NHS Board was established in 1974 under the National Health Service (Scotland) Act 1972 as Highland Health Board, commonly known as NHS Highland and is responsible for health care services for the residents of Highland and from 1 April 2006 for Argyll and Bute.

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. The plan was designed to improve and enhance health care, standards and access to services. There were further aims to streamline bureaucracy and also to involve patients, communities and NHS staff in decision making.

The overall purpose of the board is to ensure appropriate governance of the local NHS system and to provide strategic leadership and direction.

The role of the NHS Highland board as it relates to local people is to:

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

Other functions of the Board comprise:

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

Highland Care Strategy

The Highland Care Strategy outlines NHS Highland's vision for the future delivery of health and social care services for the people of Highland over the next 10 years. It is founded on the triple aim: **to deliver better health, better care and better value:**

- delivering ***better health*** for our communities through population-wide and individually focussed initiatives. These aim to maximise health and wellbeing and prevent illness
- delivering ***better care*** through quick access to modern treatments provided in modern facilities. Care will be delivered in the most appropriate setting and in clean and infection-free facilities by well-trained, motivated and professional staff

- delivering ***better value*** to ensure that money is spent only on what is needed and reducing duplication, waste and errors, based on clinical evidence and improvement methodology (Figure 1).

It fully reflects national strategy and policy and that since April 2012 all adult social care services in Highland Council are now delivered by NHS Highland and all children's community services are delivered by the Highland Council. These arrangements are part of a Lead Agency Model - the first of its kind in Scotland. This means that for this part of our area NHS Highland is directly responsible for the operational delivery of acute care, primary care services, community services, care at home and care homes as well as public health.

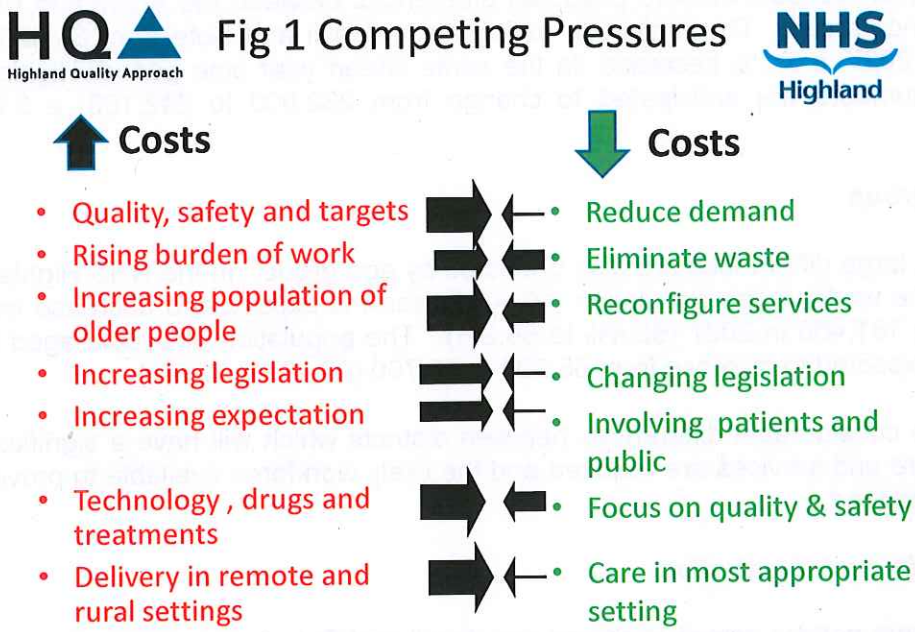
NHS Highland and Argyll and Bute Council are in the process of setting up a Health and Social Care Partnership to deliver integrated health and social care services in Argyll and Bute as required by the Public Bodies (Joint Working) (Scotland) Bill which came into force on 1 April 2015.

The Health and Social Care Partnership (HSCP) will have a budget pooled from both NHS and Council and will be accountable to both organisations. Nationally this has been termed the 'body corporate' model, and unlike Lead Agency, the staff who work for NHS Highland will remain NHS employees and Argyll & Bute council staff will remain council employees. The governance surrounding the creation of this model is described in more detail on page 14.

The Care Strategy sets out principles which will underpin what services are required and will guide any service development and redesign of services for the future and include

a) Person centred
b) Safe and effective
c) Focussed on prevention and early intervention
d) High quality
e) Equitable
f) Integrated between primary, community, secondary and social care
g) Facilities that are flexible
h) Appropriate workforce planning
i) Provide a supportive environment for staff
j) Use improvement methodologies to redesign services
k) Maximise use of resources

It builds on the Highland Quality Approach (HQA) which was endorsed by the board in September 2012. HQA recognises how important it is to improve the health of the population and get the experience of care right for individuals. This is being delivered by focussing on providing person-centred care while at the same time eliminating waste, reducing harm and managing unwanted variation. HQA places an explicit emphasis on how we will make best use of all our resources. See figure 1



The main trends and factors likely to affect the future development, performance and position of the NHS Board

Summary overview

The financial, demographic and political climate is changing, and in doing so the demands for health and social care are also markedly changing. It is clear that care and services will need to be delivered in a radically different way, to ensure that NHS Highland secures the best possible outcomes for our population in the future.

The changes required will see a continued move away from traditional treatment models, to a more integrated and person-centred care approach.

This transition will direct where resources need to be allocated across primary, community, acute and specialist care.

NHS Highland has made significant progress over the years towards delivering a new model of care but it is clear much more needs to be done and the pace of change will need to speed up. The most significant factor effecting future development and performance is the increased life expectancy and the capacity for people to live longer with multiple long term conditions. Notably the largest *number* of people with multimorbidities, however, are aged under 65 years.

Context for health and social care planning in NHS Highland

The population

National Records of Scotland (2014)) estimate that, in 2012, 319,800 people lived in the area served by NHS Highland. They project an increase to almost 323,000 by 2027, before a gradual decrease to around 319,000 in 2037.

These totals, however, conceal marked projected differences between the Argyll and Bute and Highland Council areas. The projection anticipate in Argyll and Bute from 86,900 in 2012 to 80,700 in 2027, a 7.1% decrease. In the same fifteen year time period, Highland Council resident numbers are anticipated to change from 232,900 to 242,100, a 3.9% increase.

Changes by age group

Within these totals, large differences are also predicted by age group. In the NHS Highland area as a whole, the working age population (16 – 64 years) is expected to decrease from 199,600 in 2012 to 181,400 in 2027 (62.4% to 56.2%). The population of people aged 65 years and over is expected to increase from 65,200 to 89,700 (20.4% to 27.8%).

Moreover there are considerable differences between districts which will have a significant bearing on what care and services are required and the likely workforce available to provide the levels of care required.

Distribution, density and deprivation

This diffuse settlement pattern across Highland and Argyll and Bute communities also pose challenges in delivering health and social care services; widely spread, and in some cases low density, in relation to Scotland as a whole, much of the NHS Highland area is very rural.

Deprivation is as important in Highland as in any part of Scotland (Douglas and Stark 2011, Douglas 2014). Measures developed for largely urban areas are not always a good fit in rural areas, where deprivation may be less geographically concentrated.

Other drivers for change

There are a number of other general issues including changes to treatments and drugs, public expectations and affordability driving the need for change.

Over and above these in Highland the physical condition of some of our buildings, current location of some of our assets, wider issues around recruitment and retention, and in some areas, heavy reliance on locums are all growing pressures. In some areas ensuring safe and sustainable rotas, especially during the out-of-hours period is proving very challenging.

These issues alone are forcing new ways of working. This will see a move away from doctor-dependent models of care, to one based on multi-disciplinary teams, more joint working with partner agencies and possibly fewer centres.

More generally there is a need to increase community services, care-at-home capacity, supporting communities to be more resilient as well as making better use of technology.

Increased capacity of geriatricians to support more work in communities and in care homes as well as strategic alignment with older adult psychiatry is another vital response to reducing hospital admission.

More generally there will be greater clinical decision making and support across Secondary and Primary Care which will further contribute to transforming outpatients and reduce hospital attendances. It is within this context that there are ongoing reviews and re-design of services in each area covered by NHS Highland.

Strategic planning of services and service change

The historical context and implications for planning for the 21st century are summarised in a report presented to the board in February 2015 *'Ten year operational implementation plan'*

The year on year delivery of the ten year plan, is articulated in the Local Health Plan which sets out the strategic direction for the Board, provides evidence of performance and describes the plans to address national targets. In particular it sets out NHS Highland's ambition to:

- provide services and facilities which meet 21st century health and social care needs and are acceptable to both staff and patients
- ensure that services are continuing to progress towards the achievement of national standards
- provide an environment which enables staff development, recruitment and retention as well as community involvement and ownership
- provide high quality, integrated, equitable, evidence-based, and cost-effective care
- focus on hospital beds being preserved for the most acutely ill and those with specialist needs
- run services by healthy, flexible, well-motivated and well-trained staff working to their maximum potential and capability
- use modern, flexible, efficient, green assets to maximum effect
- reduce wastage and inefficiency across acute services

Major Service Change

With respect to major service change there is specific guidance to be followed as set out in NHS circular CEL 4 (2010). In 2014/15 NHS Highland approved major re-design of services in: Badenoch and Strathspey and Skye, Lochalsh and South West Ross. Both of these required formal public consultation and were endorsed by the Cabinet Secretary in January and February 2015 respectively.

Organisational Structure of NHS Highland

NHS Highland is one of the fourteen territorial boards of NHS Scotland and employs around 10,000 people, making it one of the largest employers in the region. With an annual budget of around £700m NHS Highland, makes a very significant contribution to the local economy.

Board and Committees

NHS Highland is managed by a board of directors which is overseen by the chair who is accountable the Cabinet Secretary for Health and Wellbeing. The Board is accountable for the performance of all NHS Highland services and functions across the areas covered by the Highland Council and Argyll & Bute Council.

The board is underpinned by a number of Governance Committees, including: Asset Management Group, Audit, Staff Governance, Clinical Governance, Area Clinical Forum, Highland Partnership Forum, Improvement Committee, Health and Safety and Highland Health and Social Care Committee.

Board meetings and many of the other committee meetings are held in public.

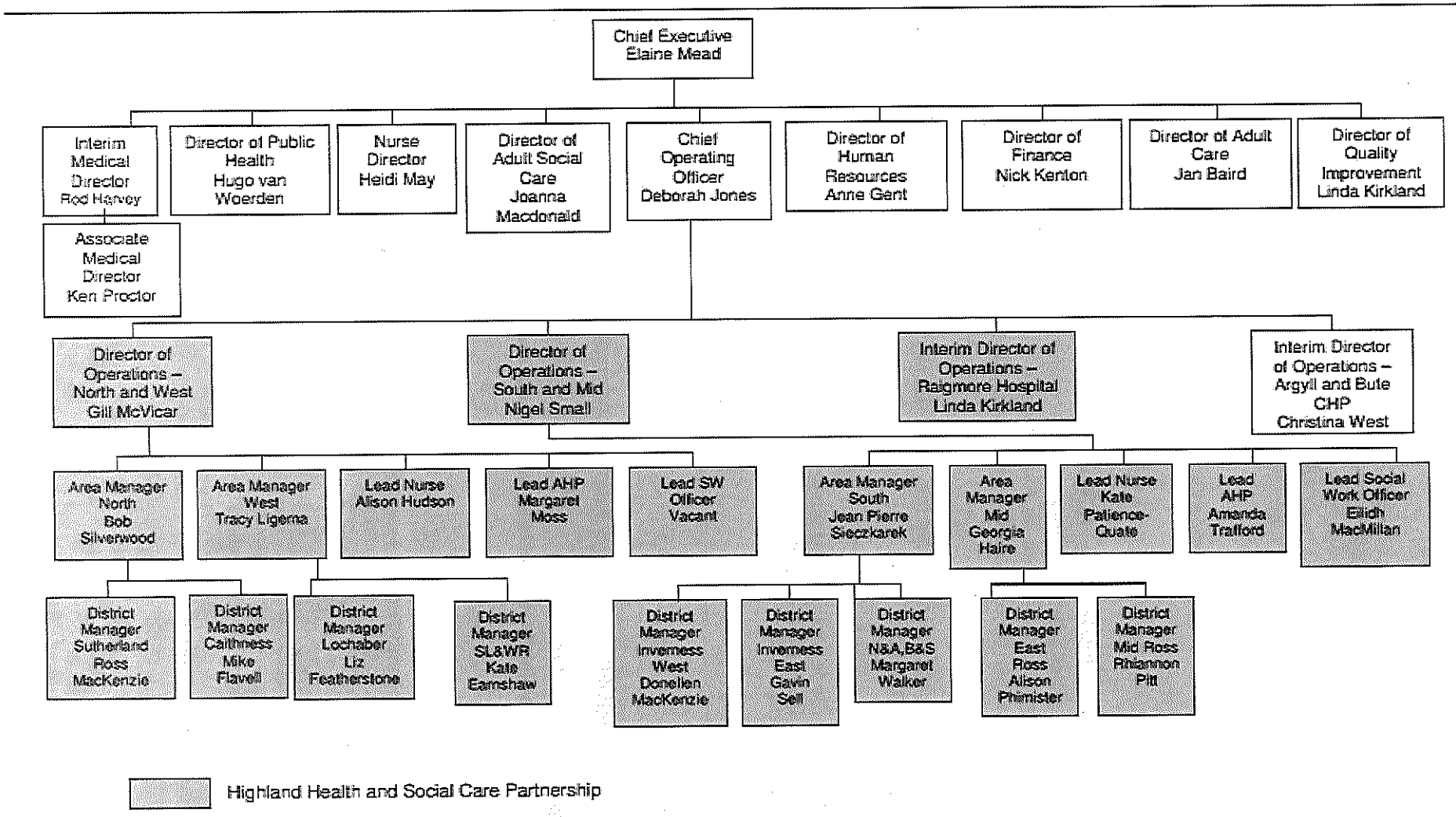
Corporate Services

Highland-wide departments or functions sit within corporate services and include Estates, Clinical Governance and Risk Management; Dental Services; e-Health; Finance; Human Resources; Infection, Prevention and Control; Nursing and Midwifery; Pharmacy; Planning and Performance; Procurement; Public Health, and the Chief Executive's office.

Operational delivery of services

During 2014/15 delivery of services across NHS Highland was managed through two Partnerships: Argyll and Bute Community Health Partnership (CHP) and Highland Health and Social Care Partnership, see organisation chart:

Highland Health Board



Argyll and Bute Community Health Partnership (CHP) manages acute, primary, community health and mental health services across Argyll and Bute. Much of the acute and more specialist services are provided from neighbouring NHS Greater Glasgow & Clyde. These services are purchased by the CHP through formal Service Level Agreements. The CHP has the same boundary as Argyll and Bute Council with the area divided into three localities:

- Oban, Lorn and the Isles (including Lorn and Islands Rural General Hospital in Oban)
- Mid Argyll, Kintyre and Islay
- Cowal, Bute, Helensburgh and Lomond

Highland Health and Social Care Partnership is responsible for providing a wide range of acute care, emergency care, primary care & community based health and social care services. Covering the same area as the Highland Council, the Partnership is made up of three operational units: South and Mid Highland; North and West Highland and Raigmore Hospital

South and Mid Highland constitute the inner Moray Firth area, and is made up of the following areas and districts:

South Area
Nairn & Ardersier, Badenoch & Strathspey
Inverness West (including New Craigs psychiatric hospital)
Inverness East

Mid Area
East Ross
Mid Ross

North and West Highland constitutes a remote and rural area made up of:

North Area
Caithness (including Rural General Hospital – Caithness General in Wick)
Sutherland

West Area
Skye, Lochalsh and Wester Ross
Lochaber (including Rural General Hospital – Belford in Fort William)

Raigmore Hospital (Inverness) is our only district general hospital serving the population of the Highlands

The Hospital covers all specialties and is a training hospital for Nursing and Medical staff in association with Stirling, Aberdeen and Dundee Universities. It is a Regional Cancer Centre. Outreach Services are provided to many sites across the Partnership area as well as to the Western Isles, Orkney and Moray for some specialties. It has close links to Tertiary Services in the central belt of Scotland and Aberdeen.

Business Strategy

The Scottish Government's 2020 vision articulates the ambition that *"everyone is able to live longer at home or in a homely setting."* This vision is underpinned by the Healthcare Quality

Strategy, 2012, which calls for accelerated quality improvement which is safe, effective and person centred.

The vision builds on the Commission on the Future Delivery of Public Services (Christie Report) which called for a focus on public service reform to:

- empower individuals and communities;
- deliver a programme of social change; and
- make best use of all assets and resources.

Other key documents include *Delivering for Remote and Rural Health*", launched by the then Cabinet Secretary for Health and Wellbeing in 2007, and *Better Health, Better Care*, which was an action plan also published in 2007. Both these documents set out the need to deliver a strategic change programme for the NHS in Scotland, and *Delivering for Remote and Rural Health*, specifically considers the role of the Rural General Hospitals.

Over time this will see new models of care being developed across the country:

Existing Model of Care	**Future Model of Care**
Geared towards acute conditions	Geared towards long term conditions
Hospital centred	Embedded in communities
Doctor dependant	Multi-disciplinary team based
Episodic care	Continuous care
Disjointed care	Fully integrated care
Reactive care	Preventative care
Service user as passive recipient	Service user as partner
Self care infrequent	Self care encouraged and facilitated
Carers undervalued	Carers supported as partners
Low use of technology	Greater use of technology

Other national building blocks

The Scottish Government Health Directorate's Capital Planning and Asset Management Division Policy CEL 35 (2010) require that all NHS Boards have a Corporate Asset Management Strategy and Plan that reflects the following policy aims:

- to ensure that NHS Scotland assets are used efficiently, coherently and strategically
- to provide, maintain and develop a high quality sustainable asset base that supports and facilitates the provision of high quality health care and better health outcomes.

Overview of services and current activities

Geographically, NHS Highland is the largest Health Board in Scotland covering an area of 32,500 km² stretching from Kintyre in the south-west to Caithness in the north-east. The board serves a resident population of over 319,800 but due to annual influx of tourists in some areas, can double or even triple at times, both in summer and winter.

The board also covers the largest remote and rural areas in Scotland including 24 populated islands.

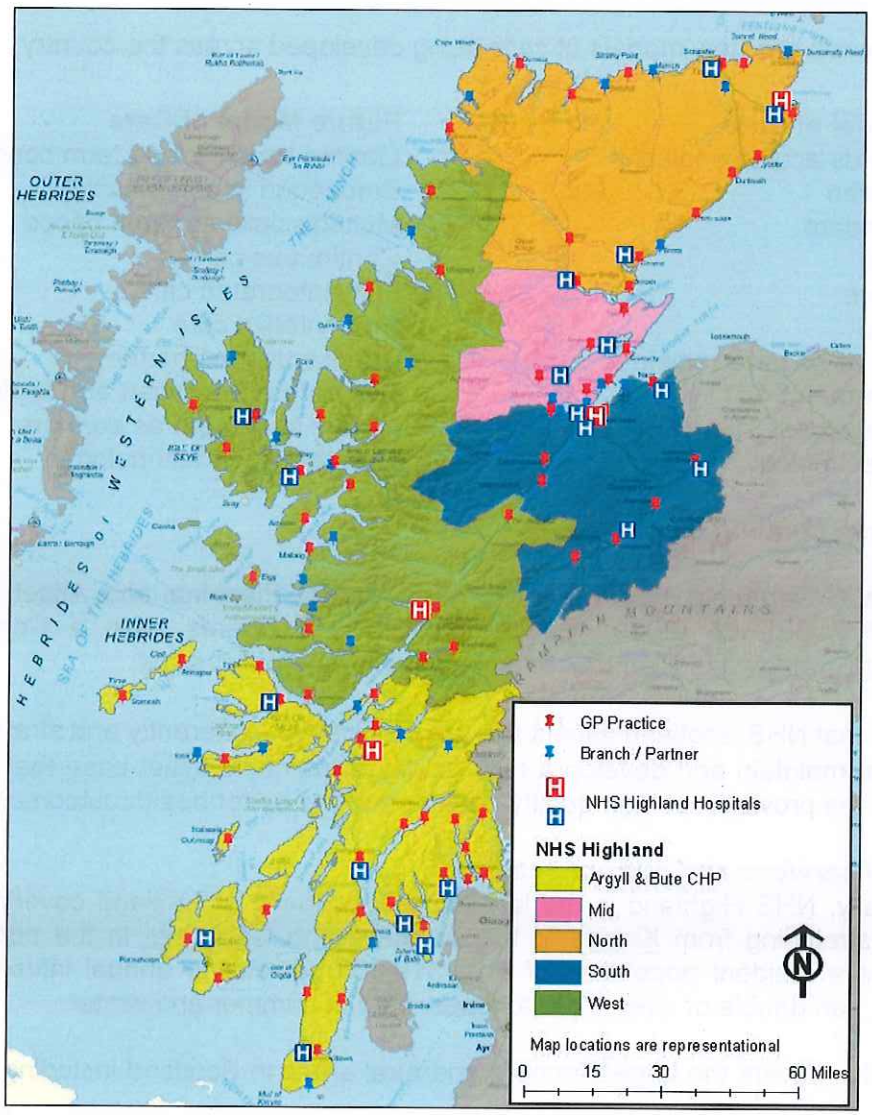
NHS Highland is responsible for overseeing the full range of services from care-at-home to acute specialist services provided from our only District General Hospital in Inverness (Raigmore). Significant effort is being sustained to look at preventing ill health and reducing inequalities led through our Public Health team.

Highland Health Board

Some specialist services are provided on a regional basis such as plastic surgery and neurosurgery. We also have Service Level Agreements for tertiary services (such as specialist paediatrics and transplant surgery). Secondary care services for the population of Argyll and Bute are provided through Service Level Agreements with NHS Greater Glasgow and Clyde.

Currently around 90% of all interactions with NHS Highland are through Primary Care Services.

In terms of physical assets delivery of care is supported through 100 GP Practices, one District General Hospital – Raigmore (Inverness), three Rural General Hospitals – Belford (Fort William), Caithness General (Wick) and Lorn and the Islands (Oban), and 20 Community Hospitals (see map).



NHS Highland Hospital locations and GP Practices

NHS Highland
Health Intelligence & Knowledge Team
Directorate of Public Health
Assynt House

Date: April 2012

NHS Highland also manages 15 Care Homes for older people, numerous day centres and residential homes. Some services are provided through contracts with third and independent sector and partner agencies. NHS Highland at a glance' is summarised in Box 1

Box 1 - NHS Highland: at a glance

- 41% of the landmass of Scotland
- 24 populated Islands
- 319,800 residents
- 10,000 staff
- 100 GP Practices
- 24 hospitals, made up of the following
  - 1 District General Hospital – Raigmore (Inverness)
  - 3 Rural General Hospitals – Belford, Caithness General and Lorn and the Islands
  - 20 Community Hospitals
- 15 Care Homes (Highland Council area)
- 50,000 new outpatient appointments per annum
- 39,000 attendances at Raigmore Emergency Department per annum
- 38,000 inpatients per annum
- 13,000 day case patients per annum

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 SGHSCD £'000	Actual Outturn £'000	Variance Under £'000
	Revenue Resource Limit			
1	Core	610,646	610,510	136
	Non-core	13,648	13,648	0
	Capital Resource Limit			
2	Core	11,749	11,749	0
	Non-core	4,494	4,494	0
3	Cash Requirement	651,000	649,964	1,036

Memorandum For In Year Outturn	£'000
Brought forward (surplus) from previous financial year	87
Savings against in year total Revenue Resource Limit	49

Highland Health Board

NHS Highland faced another challenging financial year in 2014/15. An important part of this was its position relative to its target funding allocation. Each territorial Board in NHS Scotland is set a target percentage share of total NHS Scotland baseline funding. This target is based on the NHS Scotland Resource Allocation (NRAC) formula. NHS Highland began 2014/15 with a baseline allocation that was £12m (2.2%) below its target allocation. The Scottish Government's stated policy at that time was to bring all under-target boards to within 1% of their target baseline share by 2016/17 financial year.

A savings target of £22.4m was set as part of the revenue financial plan approved by the Board in April 2014. In addition, the Board experienced a series of cost pressures during the year that had to be managed down. In response to the financial challenges, the Board approved a Recovery Plan at its December 2014 meeting. In January 2015 the Board received an additional funding of £3.0m from the Scottish Government related to 'NRAC smoothing'. The receipt of this funding allowed the Board to re-profile the Recovery Plan and avoid potentially more difficult savings decisions that may have been required in the final quarter of the year. The Board successfully met its savings target and also reduced its underlying deficit in the process (the underlying deficit was £8m at the beginning of the financial year and was £5.6m by the end of the year – ahead of the £6m target previously set by the Board in its five year plan approved in 2014/15). In 2014/15, the Board made payment of £500,000 as the first agreed instalment to repay the £2.5m brokerage from Scottish Government Health & Social Care Directorate (SGHSCD) received in 2013/14. The Board's final outturn was an underspend of £136,000 on Revenue Resource Limit (equivalent to 0.015%) and a break even on Capital Resource Limit.

The outlook for 2015/16 is set to remain challenging. NHS Scotland has continued to enjoy relative protection from the impact of public sector austerity and NHS Highland will benefit from the Scottish Government's decision to accelerate its policy of moving all under-target boards to within 1% of their NRAC funding target in 2015/16 (previously this was a target for 2016/17). However, despite these factors, the Board will face a savings target of £16m in 2015/16. Although challenging, this is lower than in recent years and the Board approved a balanced plan at its meeting in April 2015, which has also been signed off by SGHSCD. The savings programme is set in the context of the Care Strategy (approved by the Board in August 2014) and the Ten-Year Operational Implementation (approved by the Board in February 2015). In addition, the work begun in 2014/15 utilising a 'charter' approach to savings will be carried forward into 2015/16 but with specific focus on four key value streams (Outpatients flow, Adult Social Care flow, Out of Hours flow and services in Rural General Hospitals). The Delivering Financial Balance Programme Board (established in 2014/15) will be retained at least for the first quarter of 2015/16 when it will be reviewed, subject to the financial performance during the first quarter. In addition, the Board will be putting more formal project management governance around the four key value streams mentioned above. Performance against the financial plan will continue to be monitored in a range of settings, including the full Board, the Highland Health & Social Care Partnership (and its Finance & Performance Sub-Committee), Argyll & Bute Governance Committee and the Improvement Committee. In 2015/16 the Board will be taking forward integration of services in conjunction with its two local authority partners, subject to due process. In northern Highland, the Integration Scheme will represent a continuation of the Lead Agency model established in partnership with Highland Council in 2012. In Argyll & Bute the Integration Scheme will follow the Integrated Joint Board (IJB) model and a Programme Board and Shadow IJB have been established. In northern Highland the financial arrangements associated with integration are already well established and will continue. The financial arrangements in Argyll & Bute need to be developed. The IJB is not able to control resources until its Strategic Plan has been approved following a period of public consultation. It is envisaged that the IJB will not be able to control resources until January 2016 at the earliest. In accordance with national guidance both partners will need to undertake a due

diligence process prior to finalising the resources to be managed by the IJB. This will be reported to the audit committees of both partners.

Bad debt provision of £369,000 this year (prior year £346,000) is based on all non-government debt outstanding greater than one year old except for Road Traffic Accidents reclaims which have been provided for if more than four years old. This is based on historical patterns of recovery for these debts.

Public Finance Initiative/Public Private Partnerships

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

Provision of New Craigs Hospital
Start date July 2000 ending June 2025.
This scheme is a replacement for the Craig Dunain Hospital, Inverness, and provides in-Patients' facilities for adults with Mental Health needs or Learning Disabilities. There is a 25 year contract with an estimated capital value of £14.4 million.

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

Provision of Tain Health Centre
We have a service concession agreement with HUB North of Scotland Ltd for occupancy of the Tain Health Centre effective 24th May 2014. Under the terms of the agreement NHS Highland have a legal commitment to occupy the building for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs. The ownership of the asset will transfer to the Board at the end of the 25 year agreement.

Family Health Services
In 2014, NHS Scotland Counter Fraud Services performed work to give an indication of the possible level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. Counter Fraud Services extrapolation of the sample results for NHS Highland indicates that the level of income that could have been generated from dental and ophthalmic charges in the year to 31 December 2014 could potentially amount to £387,336.

3 Performance Against Key Non Financial Targets

Local Delivery Plan 2014/15

Each NHS Board within NHS Scotland is required to produce an annual Local Delivery Plan. This document details each national target set by the Scottish Government (SG). These targets are known by the acronym HEAT which covers the four key areas of performance measurement. In 2014/15 there were 15 targets.

- **H**ealth Improvement – 3 targets measuring improvements in life expectancy and healthy life expectancy
- **E**fficiency and Government Improvements – 4 targets measuring improvements in the efficiency and effectiveness of the NHS, covering financial and service aspects.
- **A**ccess to Services – 4 targets recognising patients' need for quicker and easier use of NHS services
- **T**reatments appropriate to individuals –4 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 Scottish Government at an Annual Accountability Review.

In addition to the HEAT targets we report on, we also report on a number of national and local standards. There are 8 national standards set by the Scottish Government, and the local standards are measures that as a Board we have agreed to continue to measure and report on.

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

The Balanced Scorecard is published at NHS Highland level and also cascaded to the next tier of management responsibility through the 2 operational units, Highland Health and Social Care and Argyll & Bute CHP. Each operational unit has the Balanced Scorecard on their agenda at their formal Committee meetings to review their performance and again this is reported +to the Board meeting the following month.

A copy of the "At A Glance" Balanced Scorecard for 2014/15 is attached for information as at the 31st March 2015. For some of the targets we are not able to report the year end position due to the availability of data.

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

Highland Health Board

NHS Highland - "At A Glance" HEAT Targets

Summary of the Operational Units performance as per the Balanced Scorecard reported to the Improvement Committee on 3 March 2015

N/A = Not Applicable, N/Av - Data not Available

Targets with a delivery date by the end of March 2015

Board Position	Target	Month reported	Raigmore	North & West	South & Mid	Argyll and Bute	Delivery Date
	Detect Cancer Early	Sep-13	Currently reported at Board Level Only				Apr-15
	Early Access to Antenatal Services	Sep-14	Currently reported at Board Level Only				Mar-15
	Smoking Cessation - 2 most deprived data zones	Jun-14	N/A	Currently reported at Board Level Only			Mar-15
	Financial Performance	Dec-14					Mar-15
	Cash Efficencies	Dec-14					Mar-15
	Reduce Carbon emmissions	Mar-14	Currently reported at Board Level Only				Mar-15
	Reduce Energy Consumption	Mar-14	Currently reported at Board Level Only				Mar-15
	Faster Access to Specialist CAMHS - 18 weeks	Feb-14					Dec-14
	Faster Access to Psychological Therapies	Feb-14	N/A				Dec-14
No Trajectory	Reduce IVF Waiting Times		Data sources being developed				Mar-15
	4 Hour A&E Wait	Oct-14					Sep-14
	Reduction in Emergency bed days for patients aged 75+	Mar-14	N/A				Mar-15
	Delayed Discharges - 14 days	Jan-15					Mar-15
	MRSA/MSSA Bacterium	Dec-14	Currently reported at Board Level only				Mar-15
	C. Diff Infections	Dec-14	Currently reported at Board Level only				Mar-15

Targets with a delivery date beyond the end of March 2015

No Trajectory	Access to Dementia Support		Data sources being developed				Mar-16

NHS Highland - "At A Glance" Standards

Board Position	Target	Month reported	Raigmore	North & West	South & Mid	Argyll and Bute	
	Alcohol \Brief Interventions	Dec-14	N/A				Standard
	Breastfeeding at 6-8 week- Target 36%	Jun-14	N/A	N/Av	N/Av		
	MMR uptake rates - target 95% at 5 years old	Sep-14	N/A				
	Sickness Absence - 4% target	Nov-14					Standard
	SMR return rate - 90% of SMR1 returns received within 6 weeks	Mar-14					
	80% of simple Complaints responded to in 20 days	Oct-14					
No Trajectory	Same Day Surgery Rate				N/A		
	Outpatients - DNA rate - Target 6.9%	Feb-14					
No Trajectory	Reduce Pre Operative stay				N/A		
	eKSF & PDP's - Target 80%	Jan-15					
	Suspicion of cancer referrals (62days) (Due for Delivery Dec 2010)	Dec-14	Reported at Board Level only				Standard
	All Cancer Treatment (31days) (Due for Delivery Dec 2010)	Dec-14	Reported at Board Level only				Standard
	18 weeks Referral to Treatment (Due for Delivery Dec 2010)	Feb-14	Currently reported at Board Level only				Standard
	New Outpatient Waiting times - 12 weeks - Ongoing	Dec-14					
	New Outpatient Social Unavailability						
	New Outpatient Medical Unavailability						
	12 week Treatment Time Guarantee (TTG) - Completed Waits	Dec-14					
	12 week Treatment Time Guarantee (TTG) - Ongoing Waits	Dec-14					
	Admission Waiting List - Social Unavailability						
	Admission Waiting List - Medical Unavailability						
	Hip surgery - 98% of patients treated within 24 safe operating hrs	Jan-15		N/A	N/A	N/A	
	8 Key Daignostic tests - Completed Waits				N/A		
	8 Key Daignostic tests - Ongoing Waits	Dec-14			N/A		
	Return Waiting List - Completed Waits						
	Return Waiting List - Ongoing Waits						
	Insulin Pumps - Under 18's	Nov-14	Reported at Board Level only				
	Insulin Pumps - Over 18's	Nov-14	Reported at Board Level only				
	Drug & Alcohol Treatment: Referral to Treatment	Sep-14	Reported at Board Level only				Standard
	Reduce Occupied Bed days for long term conditions	Aug-13	N/A				
	Reduce Average Length of Stay for Continuous Episode of care		N/A				
	End of Life Care Measure						
	Dementia (**Unvalidated** - validated position available annually)	Dec-14	N/A				Standard
	90% of patients diagnosed with stroke admitted to a stroke unit	Jan-15			N/A		Standard

Adult Social Care Services

In addition to the monitoring of the Local Delivery Plan and with the responsibility for the delivery of Adult Social Care Services on behalf of Highland Council, a number of key performance indicators which were identified in the Partnership Agreement are measured. Throughout 2014/15 these performance indicators were reported through a Balanced Scorecard for Adult Social Care which is reviewed and report on in the same way as the HEAT Target Balanced Scorecard outlined above.

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

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

Link to Adult Social Care Balanced Scorecard (item 5.1.4)

http://www.nhshighland.scot.nhs.uk/Meetings/HHSC/Documents/2015/Combined%20HHSCC%207%20May%202015.pdf

4 Sustainability and Environmental Reporting

Overview

In a change to previous years, carbon energy targets will be set by boards directly and approved by Scottish Government. These targets include identification of site specific migration from fossil fuel to non-carbon alternatives, introduction of on-site renewable, new technologies and energy conservation measures.

Key Environmental Performance Improvement delivery areas for the NHS Highland are:

Biomass Raigmore

We have installed a 2.6 Megawatt (MW) main biomass plant at Raigmore Hospital which will be operational from August 2015. This will save on heavy oil, will reduce co^2 and will make significant financial savings. See figures below (original business case)

Environmental Impact of the Biomass Plants	**Wood Pellet**
Tonnes of co2 savings from oil replaced by biomass	7,123
Tonnes co2 from energy delivered by biomass	977
Tonnes co2 from electric pumps etc	162
Overall Total Tonnes co2 savings per year	**5,984**

Biomass Raigmore Accommodation

Introduction and operation of a 1 MW accommodation biomass plant at Raigmore Hospital as from December 2014, will save on heavy oil, will reduce co^2 and will make significant financial savings. See figures below (original business case)

Environmental Impact of the Biomass Plants	Wood Pellet
Tonnes of co2 savings from fossil fuel replaced by biomass	1,173
Tonnes co2 from energy delivered by biomass	160
Tonnes co2 from electric pumps etc	27
Overall Total Tonnes co2 savings per year	**986**

Capital Funding being made available for Caithness General to be linked to the Wick District Heating Scheme for its heat requirements.

Building Design

As a legal requirement all existing Building Energy Management System (BEMS) were reviewed and controls are now managed according to NHS Encode standards, standardising time and temperature settings for windows, doors, heating, cooling and lighting. Major new projects include Badenoch and Strathspey Hospital, S&L Hospital, Lochgilphead Mental Health Unit, these will be Building Research Establishment Environmental Assessment Method (BREEAM) assessed, and NHS Highland are aiming for excellent and discussing any derogation with Health Facilities Scotland if this cannot be achieved.

As required by Scottish Government ensure all future building designs comply with the carbon management criteria specifically (BREEAM) Healthcare setting –targeting excellent rating for new build and very good rating for refurbishment.

Environmental and Sustainability Compliance – mandatory implementation & reporting

Carbon Reduction Commitment – Energy Efficiency Scheme: NHS Highland will report annually on CRC which is a mandatory carbon emissions reporting and pricing scheme to cover large public and private sector organisations that use more than 6,000MWh per year of electricity and have at least one half-hourly meter settled on the half-hourly electricity market.

Adaptation to Climate Change: NHS Highland will continue to implement the Climate Change (Scotland) Act 2009 as a means to contribute to emissions reduction targets and to deliver adaptation programmes and to act sustainably. Identifying and planning effective resilience and adaptations measures. NHS Highland will report on climate change adaptation as required by the Public Bodies Climate Change Duties 2015.First report voluntary – October 2015. Mandatory from 2016.

Sustainable Procurement: NHS Highland will implement the Procurement Reform (Scotland) Act 2014 developing a sustainable procurement programme. Contracts to include specific Public Bodies Climate Change Duties (PBCCD) requirements – quantifiable co2 reductions, resource efficiency savings and community benefits, in line with Circular Economy principles.

Biodiversity: To implement the Nature Conservation (Scotland) Act 2004 and the Wildlife and Natural Environment (Scotland) Act 2011 – Comply with duty to conserve biodiversity in all

NHS Scotland functions and to report. First report was prepared and published by 1st January 2015. Examples - Prioritise healthcare benefits – outdoor estate, Support delivery of the Green Exercise Partnership Programme

Public Bodies (Joint Working) (Scotland) Act 2014: Work with wider groups of stakeholder to further sustainable development. Mandated in law from 2015, first report due October 2015 As an example of joint working - Annual report of the Director of Public Health NHS Highland 2014 click here

Scottish Government and NHSScotland - required actions

To comply with the Scottish Governments Health and Social Care Directorates Policy (SGHSC) on Sustainable Development for NHSScotland – 2012, as directed in CEL – 2 (Chief Executives Letter) 2012, NHS Highland will develop and implement a Sustainability and Development Action Plan (SDAP).

Implement Corporate Greencode as part of an NHS Highland Environmental Management System (EMS) and to comply with NHS Scotland Sustainable development policy.

Good Corporate Citizen: Compliance guided and monitored through the GCCAM self-assessment test, and resource materials/best practice case studies contained in it.

Waste Management

Catalyst Waste Solutions Audit

Implement top priority from Catalyst Waste audit – appointment of Environmental and Sustainability Management Team - appointed January 2015.

Auditing and developing risk based action plans across all sites to comply with Scottish Governments Waste Regulations 2012 which became law January 1st 2014, with the aim of reducing waste to landfill, increasing recycling for paper, card, plastics and tin. Maximise recycling 70% target by 2025, and reduce materials to landfill (maximum 5% by 2025).

Implementation of Scottish Healthcare Technical Note 3 (SHTN3), with particular emphasis on staff training regarding disposal of clinical waste and the reduction of inappropriate disposal of non-clinical waste in clinical waste streams.

Implement and train staff in use of Warp-it scheme (software programme to be used organisational wide for recording surplus furniture and equipment which is fit for reuse).

5 Social Community and Human Rights

In accordance with the Equality Act 2010 NHS Highland promotes equality and celebrates the diversity of the population that it serves. In the Mainstreaming Report (2013-15) NHS Highland demonstrated how it aims to mainstream and build equality and diversity and its wider aspects into all of its functions. The report showed how it will meet the three aims of the General Duty; eliminating discrimination, harassment, victimisation and any other prohibited conduct; advancing equality of opportunity; fostering good relations. The development of equality outcomes provides assurance that NHS Highland meets the equality and diversity needs of people with the nine relevant protected characteristics (race, disability,

age, sex, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership, religion or belief), whether they are patients, public, carers or staff.

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

NHS Highland is required to publish a mainstreaming report and other relevant information every 2 years, and to revise the mainstreaming report and develop new equality outcomes every 4 years. NHS Highland published its mainstreaming report and equalities outcomes report on 29 April 2015.

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

	2015			2014		
Description	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Directors	8	12	20	9	12	21
Senior Managers	20	29	49	20	24	44
Employees	7,124	1,580	8,704	6,972	1,588	8,560
Totals	**7,152**	**1,621**	**8,773**	**7,001**	**1,624**	**8,625**

6 Accounting Convention

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

By order of the Board

29 JUNE 2015 Elaine Mead. Chief Executive

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2015.

7 Date of Issue

Financial statements were approved by the Board and authorised for issue on 29th June 2015.

8 Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2013/14 to 2015/16 the Auditor General appointed Stephen Boyle, Assistant Director – Audit Services Audit Scotland to undertake the audit of NHS Highland. 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.

9 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

Sarah Wedgwood, Vice Chair

Elaine Wilkinson, Non Executive Member

Robin Creelman, Non-Executive Member

David Alston, Non Executive Member

Michael Evans, Non-Executive Member

Dr Iain Kennedy, Non-Executive Member (until 30/9/14)

Dr Andrew Evennett, Non-Executive Member (appointed 1/12/14)

Gillian McCreath, Non-Executive Member (until 31/1/15)

Ann Pascoe, Non-Executive Member (appointed 1/2/15)

Graham Crerar, Non-Executive Member

Melanie Newdick, Non-Executive Member (appointed 1/2/15)

Dr Rhona MacDonald, Non-Executive Member (until 31/7/14)

John McAlpine, Non-Executive Member

Alasdair Lawton, Non Executive Member

Adam Palmer, Non-Executive Member, Employee Director

Dr Michael Foxley, Non-Executive Member

Myra Duncan, Non-Executive Member

Elaine Mead, Chief Executive

Nick Kenton, Director of Finance

Dr Ian Bashford, Medical Director (until 30/6/14)

Dr Rod Harvey, Interim Medical Director (from 1/9/14)

Heidi May, Nurse Director

Dr Margaret Somerville, Director of Public Health & Health Policy (until 31/10/14)

Dr Hugo Van Woerden Director of Public Health & Health Policy (from 1/2/15)

Anne Gent, Director of Human Resource

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

10 Board Members' and senior managers' interests

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

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

Garry Coutts	University of Highlands & Islands, Children's Hearings Scotland
Michael Evans	ILM Highland
Adam Palmer	UNISON
David Alston	Highland Council
Myra Duncan	Scottish Government Joint Improvement Team
Dr Iain Kennedy	Nairn Healthcare Group
Dr Michael Foxley	University of Highlands & Islands, Scottish Fire & Rescue Board, Colleges Scotland
Alasdair Lawton	MacWilliams Consulting Ltd
John McAlpine	Argyll and Bute Council
Melanie Newdick	Cantraybridge College, Scottish Dementia Working Group, Carers Forum, Food & Behaviour Research Scotland.
Ann Pascoe	A Carers Voice, Dementia Friendly Communities UK, Life Changes Trust, Living it Up
Sarah Wedgwood	Penumbra (till Jan 2015)

11 Directors third party indemnity provisions

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

12 Pension Liabilities

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

13 Remuneration for non audit work

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

14 Value of Land

The value of land (excluding land that has been declared surplus to requirements) recorded in our balance sheet is at fair value. We have not clarified whether there would be a difference using the market value. Surplus land has been valued at Open Market Value.
A full revaluation took place as at 31 March 2009.

15 Public Services Reform (Scotland) Act 2010

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

16 Sickness Absence Data

Sickness Absence rate for the year ended 31 March 2015 is 4.9% (prior year – 4.8%).

17 Personal Data Related Incidents

There are no personal data related incidents to disclose.

18 Payment Policy

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

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

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

	2014/15	2013/14
Average period of credit taken	10 days	9 days
Percentage of invoices paid within 30 days:		
- by volume	93.65%	93.96%
- by value	95.82%	95.25%
Percentage of invoices paid within 10 days:		
- by volume	84.24%	84.97%
- by value	87.31%	82.03%

19 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; and
- Public Patient Involvement

Clinical Governance Committee

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

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

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

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

Staff Governance Committee
The Staff Governance Committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level.

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

NHS Highland developed a Workforce Strategy, which considered the National and Local Drivers for Change; however the prevailing financial situation across the NHS in Scotland as well as the integration of Adult Social Care Services has presented new and different workforce challenges to maintain and develop services. In response NHS Highland has developed a yearly Workforce Plan which is part of the Local Delivery Plan and consistent with the Highland Quality Approach that is underpinned by a range of workforce programmes that have been developed to support the implementation of the Plan. The Staff Governance Committee maintains the role of ensuring that the principles of the Staff Governance Standard are maintained through ongoing periods of change to service delivery which may impact on staff

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

In addition, the NHS Board receives reports on a wide range of activities including Equality and Diversity, patient information, feedback and complaints, volunteering, advocacy, carers, and public partnership forum development. Papers submitted to the NHS Board in relation to

service change, design or development must include information which reassures the Board that there is or has been appropriate patient and public involvement in the process.

20 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.

21 Human Resources

As an equal opportunities employer, the Health Board welcomes applications for employment from disabled people, and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. The Board works cooperatively with other public agencies to support disabled people to meet and consider how their experience of work could be improved and enhanced. The Board monitors both applications and the existing workforce to allow us to confirm that equal opportunities exist in relation to staff with any or all of the protected characteristics defined in the Equality Act 2010.

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

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

22 Events after the end of the reporting period

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

23 Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 27.

The Accountable Officer authorised these financial statements for issue on 29th June 2015.

By order of the Board

29 JUNE 2015 Elaine Mead Chief Executive

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

Board Members and Senior Employee Remuneration is subject to ministerial direction and the arrangements for payment are covered by Health Department instruction (currently PCS (ESM) 2015/01).

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

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

Performance Related Pay has been accrued at the year end for 2014/2015.

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

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

Highland Health Board

Remuneration Report for the year ended 31 March 2015

	Gross Salary (Bands of £5,000) 2014-15	Benefits in Kind (£) 2014-15	Total Earnings in Year (Bands of £5,000) 2014-15	Pension benefits (£'000) 2014-15	Total Remuneration (Bands of £5,000) 2014-15	Accrued pension at pensionable age as at 31 Mar 15 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 15 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 14 £000	Real increase in CETV in year £000
Executive Members												
Chief Executive: Elaine Mead	120 - 125	2,400	120 - 125	8	130 - 135	35 - 40	0 - 2500	115 - 120	2500 - 5000	776	733	26
Director of Finance: Nick Kenton	90 - 95	0	90 - 95	5	95 - 100	30 - 35	0 - 2500	90 - 95	0 - 2500	515	488	15
Director of Public Health: Margaret Somerville (to 31/10/2014)	70 - 75	0	70 - 75									
Medical Director: Ian Bashford (to 20/06/2014)	30 - 35	0	30 - 35									
Interim Medical Director: Roderick Harvey (wef 01/09/2014)	90 - 95	0	90 - 95	8	100 - 105	65 - 70	0 - 2500	200 - 205	5000 - 7500	1473	1391	48
Nursing Director: Heidi May	85 - 90	200	85 - 90	10	95 - 100	10 - 15	0 - 2500	30 - 35	2500 - 5000	181	160	10
Director of Human Resources: Anne Gent	95 - 100	1,800	95 - 100	4	100 - 105	35 - 40	0 - 2500	115 - 120	0 - 2500	873	832	28
Non Executive Members												
The Chair: Garry Coutts	25 - 30	1,300	30 - 35		30 - 35							
Adam Palmer *	40 - 45	0	40 - 45	6	45 - 50	10 - 15	0 - 2500	35 - 40	0 - 2500	241	227	11
David Alston	Salary Waived	100	0 - 5		0 - 5							
Robin Creelman	10 - 15	1,800	15 - 20		15 - 20							
John Crerar	5 - 10	1,500	5 - 10		5 - 10							
Myra Duncan	10 - 15	2,200	15 - 20		15 - 20							
Michael Evans	5 - 10	0	5 - 10		5 - 10							
Andrew Evennett (wef 01/12/2014)	0 - 5	0	0 - 5		0 - 5							
Michael Foxley	5 - 10	700	5 - 10		5 - 10							
Iain Kennedy (to 30/09/2014)	0 - 5	0	0 - 5		0 - 5							
Alasdair Lawton	5 - 10	0	5 - 10		5 - 10							
Rhona Macdonald (to 30/06/2014)	0 - 5	100	0 - 5		0 - 5							
John Mcalpine	5 - 10	1,200	5 - 10		5 - 10							
Gillian Mccreath (to 31/01/2015)	5 - 10	0	5 - 10		5 - 10							
Melanie Newdick (wef 01/02/2015)	0 - 5	100	0 - 5		0 - 5							
Ann Pascoe (wef 01/02/2015)	0 - 5	0	0 - 5		0 - 5							
Sarah Wedgwood	10 - 15	2,900	15 - 20		15 - 20							
Elaine Wilkinson	5 - 10	1,400	5 - 10		5 - 10							
Senior Employees												
Director of Adult Care: Jan Baird	35 - 40	0	35 - 40		35 - 40							
Head of Service Planning:Margaret Brown	65 - 70	0	65 - 70	12	80 - 85	10 - 15	0 - 2500	40 - 45	2500 - 5000	287	263	16
Director of Quality Improvement: Linda Kirkland	70 - 75	0	70 - 75	34	105 - 110	15 - 20	0 - 2500	55 - 60	5000 - 7500	396	348	38
Board Secretary: Kenneth Oliver	50 - 55	0	50 - 55	3	50 - 55	15 - 20	0 - 2500	45 - 50	0 - 2500	249	236	7
Head of Public Relations & Engagement: Maimie Thompson	45 - 50	0	45 - 50	7	50 - 55	5 - 10	0 - 2500	20 - 25	0 - 2500	125	113	8
Chief Operating Officer: Deborah Jones	110 - 115	0	110 - 115	8	115 - 120	30 - 35	0 - 2500	95 - 100	2500 - 5000	598	564	19
Director of Public Health & Health Policy: Hugo Van Woerden (wef 01/02/2015)	consent to disclosure withheld											

Footnotes

There are no bonus payments to disclose

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

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

Highland Health Board

Remuneration Report for the year ended 31 March 2014

	Gross Salary (Bands of £5,000) 2013-14	Benefits in Kind (£) 2013-14	Total Earnings in Year (Bands of £5,000) 2013-14	Pension benefits (£'000) 2013-14	Total Remuneration (Bands of £5,000) 2013-14	Accrued pension at pensionable age as at 31 Mar 14 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31-Mar-14	Cash Equivalent Transfer Value (CETV) at 31-Mar-13	Real increase in CETV in year
Executive Members												
Chief Executive: Elaine Mead	115 - 120	2,200	120 - 125	46	165 - 170	35 - 40	2500 - 5000	110 - 115	7500 - 10000	723	651	24
Director of Finance: Nick Kenton	85 - 90	0	85 - 90	36	120 - 125	25 - 30	0 - 2500	85 - 90	5000 - 7500	483	436	15
Director of Public Health: Margaret Somerville	115 - 120	0	115 - 120	30	145 - 150	55 - 60	0 - 2500	165 - 170	5000 - 7500	1295	1244	7
Medical Director: Ian Bashford	140 - 145	0	140 - 145	0	140 - 145	60 - 65	(0 - 2500)	190 - 195	(5000 - 7500)	1491	1560	-91
Nursing Director: Heidi May	80 - 85	1,400	80 - 85	20	100 - 105	5 - 10	0 - 2500	25 - 30	2500 - 5000	158	131	10
Director of Human Resources: Anne Gent	90 - 95	1,900	95 - 100	44	140 -145	35 - 40	0 - 2500	115 - 120	5000 - 7500	823	749	26
Non Executive Members												
The Chair: Garry Coutts	30 - 35	1,700	30 - 35		30 - 35							
Ray Stewart *	40 - 45	0	40 - 45	28	65 - 70	10 - 15	0 - 2500	30 - 35	2500 - 5000	192	163	18
Adam Palmer **	35 - 40	0	35 - 40	6	40 - 45	10 - 15	0 - 2500	35 - 40	0 - 2500	224	212	0
David Alston	Salary Waived	0	-		-							
William Brackenridge	0 - 5	100	0 - 5		0 - 5							
Robin Creelman	15 - 20	1,500	15 - 20		15 - 20							
John Crerar	0 - 5	300	0 - 5		0 - 5							
Myra Duncan	15 - 20	2,300	15 - 20		15 - 20							
Michael Evans	5 - 10	0	5 - 10		5 - 10							
Michael Foxley	5 - 10	900	5 - 10		5 - 10							
Ian Gibson	0 - 5	600	0 - 5		0 - 5							
Iain Kennedy	5 - 10	0	5 - 10		5 - 10							
Alasdair Lawton	5 - 10	0	5 - 10		5 - 10							
Rhona Macdonald	5 - 10	600	5 - 10		5 - 10							
John Mcalpine	5 - 10	1,100	5 - 10		5 - 10							
Gillian Mccreath	5 - 10	0	5 - 10		5 - 10							
Okain Mclennan	5 - 10	700	5 - 10		5 - 10							
Colin Punler	0 - 5	0	0 - 5		0 - 5							
Sarah Wedgwood	15 - 20	2,600	15 - 20		15 - 20							
Elaine Wilkinson	5 - 10	1,300	5 - 10		5 - 10							
Senior Employees												
Director of Adult Care: Jan Baird	70 - 75	800	70 - 75	26	95 - 100	10 - 15	0 - 2500	30 - 35	2500 - 5000	259	219	22
Head of Service Planning: Margaret Brown	65 - 70	0	65 - 70	27	90 - 95	10 - 15	0 - 2500	40 - 45	2500 - 5000	264	229	16
Director of Quality Improvement: Linda Kirkland	65 - 70	0	65 - 70	57	120 - 125	15 - 20	2500 - 5000	50 - 55	7500 - 10000	344	280	42
Board Secretary: Kenneth Oliver	45 - 50	0	45 - 50	27	75 - 80	15 - 20	0 - 2500	45 - 50	2500 - 5000	233	206	12
Head of Public Relations & Engagement: Maimie Thompson	45 - 50	0	45 - 50	16	60 - 65	5 - 10	0 - 2500	15 - 20	2500 - 5000	112	94	10
Chief Operating Officer: Deborah Jones	105 - 110	0	105 - 110	216	320 - 325	30 - 35	0 - 2500	95 - 100	27500 - 30000	584	393	159

Footnotes

There are no bonus payments to disclose

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

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

2014-15	
Highest Earning Director's Total Remuneration (£000s)	120 - 125
Median Total Remuneration	23,163
Ratio	5.20

2013-14	
Highest Earning Director's Total Remuneration (£000s)	140-145
Median Total Remuneration	23,499
Ratio	5.98

During the year 2014-15, the full time Medical Director retired and the overall ratio changed.

Signed: Elaine Mead. Date: 29 JUNE 2015

Chief Executive as
Accountable Officer

NHS HIGHLAND

ANNUAL ACCOUNTS 2014/15

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 NHS Highland.

This designation carries with it, responsibility for:

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

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

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

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

Signed ..... Elaine Mead .....

Chief Executive

Date ..... 29 JUNE 2015 .....

NHS HIGHLAND

ANNUAL ACCOUNTS 2014/15

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 2015 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

Director of Finance

Chair

Date 29 JUNE 2015

GOVERNANCE STATEMENT

Scope of Responsibility

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

Purpose of Internal Control

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

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

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

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

NHS Endowments

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

Governance Framework

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

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

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

There are a number of Governance Committees who support me in the discharge of my responsibilities. Each of these Committees has a clear role and remit which is set out in NHS Highland's Scheme of Delegation. The Scheme of Delegation and Standing Financial

Instructions of the Board are approved by the Board annually. Each Governance Committee is chaired by a Non-Executive Director of the Board and has at least 2 Non-Executive Director members. All Board meetings are held in public and on occasion, where there is an item of a commercially sensitive nature, that item will be discussed in Private session.. Some Governance Committee meetings are also held in public and all minutes of all governance committees are available to the public on our website. The Board papers and agendas are published on our website and there is access through webcast to Board Meetings, providing all stakeholders with the opportunity to view the meetings. Each Governance Committee submits an annual report to the Audit Committee and the Board, which confirms that they have carried out their duties in accordance with their prescribed role.

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

The development needs of executive and non executive directors are identified through a process of regular appraisal where individual learning and development needs are identified. New non executive directors have an induction process which is tailored to suit the individual and attend appropriate training e.g. Essential Skills for Board Members. As part of a training programme for Board Members and all Governance Committee members, we have run, locally, a number of training sessions covering areas such as "Understanding Governance", "Understanding Statistics", "Understanding the Finances" and Essential Skills for Board Members. The Board also holds regular development sessions with its members and as part of one of the development sessions in 2014/15 the board held a specific review of governance, which has led to a major governance review which is now ongoing and plans to conclude by the end of December 2015.

The Board promotes good governance throughout its joint working with a wide range of organisations, Local Authority, 3rd Sector and other organisations both within and external to the NHS in particular through the Highland and Argyll and Bute Community Planning Partnerships and their associated Single Outcome Agreements. Planning for the establishment of an Integrated Joint Board (IJB) to oversee the integration of health services and social care services in Argyll and Bute is now well advanced with Argyll and Bute Council and this is expected to receive Ministerial approval during 2015/16. Internal Audit is undertaking due diligence work prior to the delegation of functions from the NHS to the IJB and will report back to the Board's Audit Committee.

During the year, the Board assessed its own performance as part of an ongoing process. In September 2014 the Board had an independently facilitated Development Session, which picked up on key elements of the Good Governance Standards and in particular focused on the roles and responsibilities, assurance and re-assurance and building partnerships with each other. Discussion since that session has led to the development of a full scale governance review which is seeking to ensure our governance structure continues to be fit for purpose following integration with Highland Council and the planned development of a Integrated Joint Board in Argyll and Bute Council area and also seek to reduce the level of duplication between Committees and Groups. It is planned that the Governance review will be concluded by the end of December 2015.

Review of Adequacy and Effectiveness

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

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;

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

The Audit Committee meets regularly throughout the year with the specific remit to review and give assurances on the system of internal control. The Committee agrees the internal audit plan, considers the internal audit reports, reviews recommendations and ensures actions are undertaken that result from these reports.

This included a follow-up report that was commissioned from Internal Audit to review the organisation's response to the Section 22 report from the Auditor General for Scotland for 2013/14 that was presented to the Scottish Government's Public Audit Committee in November 2014. This Section 22 report identified issues with financial reporting, timing and use of brokerage, use of non-recurring savings and the underlying financial position, particularly at Raigmore Hospital. An additional Board Audit Committee was convened to consider the outcome of that Internal Audit report, review the control objectives identified and take assurance that actions were being taken to address all the issues highlighted in the report.

Audit Scotland have subsequently reviewed the actions taken to address the issues highlighted in the Section 22 report. They found that NHS Highland has made good progress during 2014/15 to improve its financial management arrangements. Action taken included:

- Close monitoring of progress on savings trajectories which led to development of an in-year recovery plan to address the projected shortfall
- On-going monitoring of the savings charters and the recovery plan by the Delivering Financial Balance Programme Board
- Inclusion of a savings table in financial reports showing projections by month along with actual savings achieved
- Development of a training programme for budget holders at Raigmore
- More stringent controls over the use of locums across the operational units

Other items disclosed in the Governance Statement in 2013/14 were considered by the Audit Committee, specifically Consultant Contract - Job Plan completion. This was monitored by the Audit Committee and, on a regular basis, reported as to progress towards completion of all Job Plans in line with Service Delivery. In addition, compliance with the Public Records Act for records management required an action plan to be in place. To complete this action plan, the full implementation of the Patient Management System (PMS) needed to be complete and this is currently being progressed. The PMS is currently delivering a working Patient Administration System across all NHS Highland Hospitals. The system went live in March 2014 and a number of recovery projects are now underway as elements of the overall implementation programme. There currently remain challenges primarily around data quality and reporting which are only partially resolved. The PMS system issues continue to be addressed as a matter of urgency, progress is formally monitored by the PMS Programme Board and regular reports are presented to the NHS Highland Improvement Committee and Senior Management Team.

Internal Audit reviews identify agreed actions to be undertaken. These are subsequently followed up to ensure these actions have happened within the timescales agreed. The

Senior Management Team has been reviewing these on an ongoing basis and where previously agreed dates have slipped for the higher risk actions, ensuring that these are completed by the revised agreed dates. The Audit Committee continue to monitor and receive reports on progress to completion of all the actions.

External auditors review the internal audit service and report on its adequacy to the Committee including reliance on their work to inform their annual audit report to the Board. The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year.

Best Value

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

Risk Assessment

NHS Highland is subject to the requirements of the SPFM and has complied with them, where relevant and applicable to NHS bodies. As part of these requirements, it must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The Board developed a revised Risk Management Policy during the course of 2014/15, which was endorsed by the Clinical Governance Committee and Audit Committee before being formally approved by the Board in April 2015. The governance of risk management is the responsibility of the Audit Committee but the day to day management of risk is an operational responsibility of the Senior Management Team. Risks to the achievement of key objectives are reported to the Improvement Committee, which will require corrective action to be taken. The Highland Health & Social Care Partnership and the Argyll & Bute Community Health Partnership will also receive assurance in relation to the management of key risks.

The key elements of the risk management policy are:-

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

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

During 2014/15, a short-life working group, chaired by the Vice Chair of the Board, concluded its work in developing the approach to risk management. This was presented to the Audit Committee in December 2014 and authorised for submission to the Board. This work included:-

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

It is planned to formally refresh the Risk Management Strategy in the light of the revised Policy during 2015/16.

Disclosures

Other than the ongoing work, identified above, to resolve the disclosure issues identified in 2013/14, the only significant disclosure in 2014/15 is:-

Treatment Time Guarantee
During 2014/15 NHS Highland experienced a number of issues which led to a significant deterioration in the delivery of the national 12 week Treatment Time Guarantee (TTG). These included increases in demand for services, inability to recruit to key clinical posts and the unwillingness of some existing staff to undertake additional work. As a result of this NHS Highland developed a TTG recovery plan which was formally approved by the National Access Support Team within the SGHSCD in early 2014. This set out plans to improve the TTG performance by March 2015, to bring it back to target by September 2015 and sustain it from that point. This continues to be monitored closely.

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

Signed: Elaine Mead. Date: 29 JUNE 2015

Chief Executive

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

I have audited the financial statements of Highland Health Board and its group for the year ended 31 March 2015 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of

the board and its group as at 31 March 2015 and of their net operating cost for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

29 June 2015

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2015

Restated 2014 £'000		Note	Consolidated 2015 £'000	2015 £'000
	Clinical Services Costs			
611,598	Hospital and Community	4	616,773	
125,751	Less: Hospital and Community Income	8	129,999	
485,847				486,774
160,066	Family Health	5	163,583	
4,207	Less: Family Health Income	8	4,271	
155,859				159,312
641,706	**Total Clinical Services Costs**			**646,086**
4,784	Administration Costs	6	4,777	
64	Less: Administration Income	8	74	
4,720				4,703
19,838	Other Non Clinical Services	7	14,526	
17,557	Less: Other Operating Income	8	15,226	
2,281				(700)
648,707	**Net Operating Costs**	SOCTE		**650,089**
	OTHER COMPREHENSIVE NET EXPENDITURE			
(4,800)	Net (gain) on revaluation of Property Plant and Equipment			(7,710)
(102)	Net (gain) on revaluation of available for sale financial assets			0
1,733	Actuarial change in Local Government Pension			3,315
(3,169)	Other Comprehensive Expenditure			(4,395)
645,538	**Total Comprehensive Expenditure**			**645,694**

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

Highland Health Board

SUMMARY OF CORE REVENUE RESOURCE OUTTURN for the year ended 31 March 2015	2015 £'000
Net Operating Costs	**650,089**
Total Non Core Expenditure (see below)	(13,648)
FHS Non Discretionary Allocation	(25,982)
Donated Asset Income	104
Endowment Net Operating Costs	(53)
Total Core Expenditure	**610,510**
Core Revenue Resource Limit	610,646
Saving against Core Revenue Resource Limit	**136**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN	
Depreciation/Amortisation	12,241
Annually Managed Expenditure - Impairments	453
Annually Managed Expenditure – Creation of Provisions	(3,362)
Annually Managed Expenditure – Depreciation of Donated Assets	147
AME – Pension Valuation	3,257
IFRS PFI Expenditure	912
Total Non Core Expenditure	**13,648**
Non Core Revenue Resource Limit	13,648
Saving against Non Core Revenue Resource Limit	**0**

SUMMARY RESOURCE OUTTURN	Resource £'000	Expenditure £'000	Saving £'000
Core	610,646	610,510	136
Non Core	13,648	13,648	0
Total	**624,294**	**624,158**	**136**

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

CONSOLIDATED BALANCE SHEET as at 31 March 2015

Restated Consolidated 2013 £'000	Restated Board 2013 £'000	Restated Consolidated 2014 £'000	Restated Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
				Non-current assets:			
311,438	311,438	315,618	315,618	Property, plant and equipment	11	324,954	324,954
1,181	1,181	699	699	Intangible assets	10	1,719	1,719
				Financial assets:			
7,982	127	8,123	127	Available for sale financial assets	14	7,812	123
8,130	8,130	8,556	8,556	Trade and other receivables	13	6,352	6,352
328,731	**320,876**	**332,996**	**325,000**	**Total non-current assets**		**340,837**	**333,148**
				Current Assets:			
5,604	5,604	5,413	5,413	Inventories	12	5,409	5,409
				Financial assets:			
27,885	28,054	50,107	50,307	Trade and other receivables	13	48,275	48,429
943	110	1,123	155	Cash and cash equivalents	15	1,707	158
273	273	52	52	Assets classified as held for sale	11c	0	0
34,705	**34,041**	**56,695**	**55,927**	**Total current assets**		**55,391**	**53,996**
363,436	**354,917**	**389,691**	**380,927**	**Total assets**		**396,228**	**387,144**
				Current liabilities:			
(24,611)	(24,611)	(31,927)	(31,927)	Provisions	17	(22,521)	(22,521)
				Financial liabilities:			
(67,570)	(67,568)	(60,804)	(60,780)	Trade and other payables	16	(63,824)	(63,806)
(92,181)	**(92,179)**	**(92,731)**	**(92,707)**	**Total current liabilities**		**(86,345)**	**(86,327)**
271,255	**262,738**	**296,960**	**288,220**	**Non-current assets plus/less net current assets/liabilities**		**309,883**	**300,817**
				Non-current liabilities			
(6,244)	(6,244)	(10,686)	(10,686)	Provisions	17	(9,644)	(9,644)
				Financial liabilities:			
(36,534)	(36,534)	(37,076)	(37,076)	Trade and other payables	16	(43,138)	(43,138)
(42,778)	**(42,778)**	**(47,762)**	**(47,762)**	**Total non-current liabilities**		**(52,782)**	**(52,782)**
228,477	**219,960**	**249,198**	**240,458**	**Total Assets less liabilities**		**257,101**	**248,035**

CONSOLIDATED BALANCE SHEET as at 31 March 2015 (cont'd)

Restated Consolidated 2013 £'000	Restated Board 2013 £'000	Restated Consolidated 2014 £'000	Restated Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
126,330	126,330	144,594	144,594	General fund	SOCTE	146,902	146,902
92,343	92,343	94,437	94,437	Revaluation reserve	SOCTE	99,764	99,764
1,287	1,287	1,427	1,427	Other Reserves	SOCTE	1,369	1,369
8,517	0	8,740	0	Fund held on Trust	SOCTE	9,066	0
228,477	**219,960**	**249,198**	**240,458**	**Total taxpayers' equity**		**257,101**	**248,035**

Adopted by the Board on ....29 JUNE.....2015

.....Director of Finance

Elaine Mead.....Chief Executive

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

STATEMENT OF CONSOLIDATED CASH FLOWS
for the year ended 31 March 2015

Restated 2014 £'000		Note	2015 £'000	2015 £'000
	Cash flows from operating activities			
(648,707)	Net operating cost	SOCNE	(650,089)	
17,916	Adjustments for non-cash transactions	3	13,597	
3,236	Add back: interest payable recognised in net operating cost	3	3,448	
0	Deduct: interest receivable recognised in net operating cost		(6)	
(22,648)	(Increase)/Decrease in trade and other receivables	18	4,036	
191	Decrease in inventories	18	4	
(4,874)	Increase/(Decrease) in trade and other payables	18	6,349	
11,758	Increase/(Decrease) in provisions	18	(10,448)	
(643,128)	**Net cash outflow from operating activities**	33		**(633,109)**
	Cash flows from investing activities			
(17,496)	Purchase of property, plant and equipment		(15,017)	
(77)	Purchase of intangible assets		(1,520)	
(890)	Investment Additions	14	(504)	
768	Proceeds of disposal of property, plant and equipment		109	
0	Proceeds of disposal of intangible assets		1	
851	Receipts from sale of investments		1,194	
0	Interest received		6	
(16,844)	**Net cash outflow from investing activities**	33		**(15,731)**
	Cash flows from financing activities			
664,445	Funding	SOCTE	649,961	
45	Movement in general fund working capital	SOCTE	3	
664,490	Cash drawn down		649,964	
(1,102)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		2,908	
(268)	Interest paid	3	(278)	
(2,968)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	3	(3,170)	
660,152	**Net Financing**	33		**649,424**
180	**Net Increase in cash and cash equivalents in the period**			**584**
943	**Cash and cash equivalents at the beginning of the period**			**1,123**
1,123	**Cash and cash equivalents at the end of the period**			**1,707**
	Reconciliation of net cash flow to movement in net debt/cash			
180	Increase in cash in year			**584**
943	Net debt at 1 April	15		**1,123**
1,123	**Net cash at 31 March**	15		**1,707**

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

Highland Health Board

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2015

	Note	General Fund	Revaluation Reserve	Other Reserve	Funds Held on Trust	Total Reserves
		£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014		**144,594**	**94,437**	**1,427**	**8,740**	**249,198**
Changes in taxpayers' equity for 2014/15						
Net gain on revaluation/indexation of property, plant and equipment	11		7,710			7,710
Net gain on revaluation of available for sale financial assets	14				379	379
Impairment of property, plant and equipment	11		(453)			(453)
Revaluation & impairments taken to operating costs	3		453			453
Transfers between reserves		2,383	(2,383)			0
Other non cash costs (movement in year ASC pension costs)				(58)		(58)
Net operating cost for the year		(650,036)			(53)	(650,089)
Total recognised income and expense for 2014/15		(647,653)	5,327	(58)	326	(642,058)
Funding:						
Drawn down		649,964				649,964
Movement in General Fund (Creditor)	cfs	(3)				(3)
Balance at 31 March 2015	BS	**146,902**	**99,764**	**1,369**	**9,066**	**257,101**

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

		Restated General Fund £'000	Restated Revaluation Reserve £'000	Other Reserve £'000	Funds Held on Trust	Total Reserves £'000
Balance at 31 March 2013		**140,748**	**92,343**	**1,287**	**8,517**	**242,895**
Prior year adjustments for changes in accounting policy and material errors	25	(14,418)	0	0	0	(14,418)
Restated balance at 1 April 2013		**126,330**	**92,343**	**1,287**	**8,517**	**228,477**
Changes in taxpayers' equity for 2013/14						
Net gain on revaluation/indexation of property, plant and equipment	11		4,800			4,800
Net gain on revaluation of available for sale financial assets	14		0		102	102
Impairment of property, plant and equipment	11		(4,406)			(4,406)
Revaluation & impairments taken to operating costs	3		4,347			4,347
Transfers between reserves		2,647	(2,647)			0
Other non cash costs (movement in year ASC pension costs)		0		140		140
Net operating cost for the year		(648,828)			121	(648,707)
Total recognised income and expense for 2013/14		(646,181)	2,094	140	223	(643,724)
Funding:						
Drawn down		664,490				664,490
Movement in General Fund (Creditor)	cfs	(45)				(45)
Balance at 31 March 2014	BS	**144,594**	**94,437**	**1,427**	**8,740**	**249,198**

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

NHS HIGHLAND

ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 30 below.

(a) Standards, amendments and interpretations effective in 2014-15.

There are no new standards, amendments or interpretations effective for the first time in 2014-15.

(b) Standards, amendments and interpretation early adopted in 2014-15.

There are no new standards, amendments or interpretations early adopted in 2014-15.

2. Basis of Consolidation

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

NHS Endowment Funds were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

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

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

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

3. Prior Year Adjustments

The only prior year adjustments to disclose are those arising from the retrospective restatement – Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). CNORIS is a risk transfer and financing scheme for NHS Scotland and further details are set out at Note 17b.

The change in accounting treatment in 2014/15 relates to the recognition of the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. To ensure consistency, equivalent adjustments have been made to the position of the prior year as follows:

> Provision recognising the Board's liability from participating in the scheme at 31 March 2013 of £14.418m (£19.522m at 31 March 2014).

The movement in the provision between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.

3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

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

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

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

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

7.3 Depreciation

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

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

1) Freehold land is considered to have an infinite life and is not depreciated.

2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.

3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.

4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. The depreciable amount is calculated by splitting the elements into two categories based on the pattern of consumption, future maintenance and capital expenditure. The significant elements are depreciated over the useful life of the element. The less significant "shorter life" elements are more aligned with the overall life of the building due to the impact of regular maintenance and preservation expenditure as revenue costs and as such are depreciated over the life of the building.

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Structure (Shell)	25 - 100
Engineering	25–100
External Works	25 – 60
Medical Equipment	3 – 10
Other Non Clinical Equipment	3 – 10
Furniture	5 – 10
Vehicles	3 – 7
IT Mainframe Installations	3 – 7
IT Equipment	3 – 7
Intangible assets	3 – 7

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

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

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

8.2 Measurement

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

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

is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

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

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

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

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

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

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

1) Software. Amortised over their expected useful life.

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

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

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

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

- the asset is being actively marketed at a reasonable price;
- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

10. Donated Assets

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

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

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

12. Leasing

Finance leases

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

The asset and liability are recognised at the inception of the lease and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charged is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

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

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

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

Pension Costs

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

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

Pension costs for staff transferred from Highland Council

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

18. Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

NHS Highland provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from CNORIS in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

19. Related Party Transactions

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

20. Value Added Tax

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

21. PFI/HUB/NPD Schemes

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

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

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

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

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

22. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

23. Contingencies

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

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

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

Recognition and measurement

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

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

(a) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A

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

(b) Available-for-sale financial assets

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

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

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

Financial Liabilities

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

Other financial liabilities

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

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

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

Other financial liabilities

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

26. Segmental reporting

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

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

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

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

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.
However, they are disclosed in note 31 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

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

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS
For the year ended 31 March 2015

2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2015 Total £'000	2014 Total £'000
STAFF COSTS								
Salaries and wages	597	146	268,439		1,563	(1,243)	**269,503**	**270,623**
Social security costs	70	7	20,759			(127)	**20,708**	**20,809**
NHS scheme employers' costs	73		34,411			(171)	**34,313**	**33,590**
Other employers' pension costs			6,997				**6,997**	**5,767**
Inward secondees				108			**108**	**110**
Agency staff					9,859		**9,859**	**9,593**
TOTAL	**740**	**153**	**330,606**	**108**	**11,422**	**(1,541)**	**341,488**	**340,492**

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 128 29

STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	**2015 Annual Mean**	**2014 Annual Mean**
Administration Costs	63.1	80.6
Hospital and Community Services	8,371.1	8,373.0
Non Clinical Services	94.7	84.0
Inward secondees	2.5	2.9
Agency staff	83.3	92.1
Outward Secondees	(26.6)	(24.3)
Board Total Average Staff	**8,590.1**	**8,608.3**
Disabled Staff	118.0	132.0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	2.7	0.5

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

	2015 Number	2014 Number
Other employees whose remuneration fell within the following ranges:		
Clinicians		
£ 50,001 to £60,000	131	133
£ 60,001 to £70,000	66	57
£ 70,001 to £80,000	48	45
£ 80,001 to £90,000	48	48
£ 90,001 to £100,000	28	37
£100,001 to £110,000	34	26
£110,001 to £120,000	27	30
£120,001 to £130,000	20	18
£130,001 to £140,000	19	25
£140,001 to £150,000	19	21
£150,001 to £160,000	19	17
£160,001 to £170,000	7	9
£170,001 to £180,000	9	2
£180,001 to £190,000	4	2
£190,001 to £200,000	2	1
£200,001 and above	1	2
Other		
£ 50,001 to £60,000	40	49
£ 60,001 to £70,000	18	20
£ 70,001 to £80,000	8	6
£ 80,001 to £90,000	3	6
£ 90,001 to £100,000	1	2
£100,001 to £110,000	1	1
£110,001 to £120,000	0	1
£120,001 to £130,000	1	1

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

3. OTHER OPERATING COSTS

2014 £'000		Note	2015 £'000
	Expenditure Not Paid In Cash		
12,681	Depreciation	11	12,654
559	Amortisation	10	499
149	Depreciation Donated Assets	11b	147
4,347	Impairments on property, plant and equipment charged to SOCNE	11	453
(50)	Funding Of Donated Assets	11b	(104)
90	Loss on disposal of property, plant and equipment		6
140	Other non cash costs (movement in year in ASC pension costs)		(58)
17,916	**Total Expenditure Not Paid In Cash**	CFS	**13,597**
	Interest Payable		
2,710	PFI Finance lease charges allocated in the year	23	2,935
258	Other Finance lease charges allocated in the year		235
268	Provisions - Unwinding of discount		278
3,236	**Total**		**3,448**
	Statutory Audit		
230	External auditor's remuneration and expenses		236

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2014 £'000	BY PROVIDER		2015 £'000
407,381	Treatment in Board area of NHSScotland Patients		406,745
67,644	Other NHSScotland Bodies		71,128
1,141	Health Bodies outside Scotland		933
7,078	Primary care bodies		7,280
4,316	Private sector		4,855
	Community Care		
4,653	Resource Transfer		4,600
48,560	Health and Social Care		50,171
68,656	Contributions to Voluntary Bodies and Charities		69,067
609,429	**Total NHSScotland Patients**		**614,779**
2,169	Treatment of UK residents based outside Scotland		1,994
611,598	**Total Hospital & Community Health Service**	SOCNE	**616,773**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

5. FAMILY HEALTH SERVICE EXPENDITURE

2014 £'000		Note	Unified Budget £'000	Non Disc £'000	2015 TOTAL £'000
58,863	Primary Medical Services		60,674		60,674
67,900	Pharmaceutical Services		59,451	10,718	70,169
27,975	General Dental Services		14,456	13,026	27,482
5,328	General Ophthalmic Services		119	5,139	5,258
160,066	**Total**	SOCNE	**134,700**	**28,883**	**163,583**

6. ADMINISTRATION COSTS

2014 £'000			2015 £'000
965	Board Members' remuneration	Note 2 (a)	893
274	Administration of Board Meetings and Committees		294
1,014	Corporate Governance and Statutory Reporting		1,115
1,395	Health Planning, Commissioning and Performance Reporting		1,404
740	Treasury Management and Financial Planning		698
384	Public Relations		360
12	Other		13
4,784	**Total administration costs**	SOCNE	**4,777**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

7. OTHER NON CLINICAL SERVICES

2014 £'000			2015 £'000
5,067	Compensation payments - Clinical		(4,102)
360	Compensation payments - Other		7
2,955	Pension enhancement & redundancy		6,085
135	Patients' Travel Attending Hospitals		136
2,793	Patients' Travel Highlands and Islands scheme		3,034
1,731	Health Promotion		1,992
3,218	Public Health		3,384
53	Public Health Medicine Trainees		42
52	Emergency Planning		86
446	Post Graduate Medical Education		448
265	Shared Services		215
100	Loss on disposal of non-current assets		20
1,263	Endowment Expenditure		1,048
1,400	Other		2,131
19,838	**Total Other Non Clinical Services**	SOCNE	**14,526**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2015

8. OPERATING INCOME

2014 £'000			2015 £'000
	HCH Income		
	NHSScotland Bodies		
23,195	Boards		23,850
2,669	NHS Non-Scottish Bodies		2,110
	Non NHS		
519	Private Patients		566
574	Compensation Income		612
87,489	SLA Integrated Services		93,072
6,727	Social Care Income		5,549
4,578	Other Hospital & Community Health Services income		4,240
125,751	**Total HCH Income**	SOCNE	**129,999**
	FHS Income		
1,437	Unified		1,370
	Non Discretionary		
2,759	General Dental Services		2,890
11	General Ophthalmic Services		11
4,207	**Total FHS Income**	SOCNE	**4,271**
64	**Administration Income**	SOCNE	**74**
	Other Operating Income		
3,113	NHS Scotland Bodies		3,041
94	SGHSCD		46
311	Contributions in respect of clinical/medical negligence claims		1,420
10	Profit on disposal of non current assets		14
50	Donated Asset Additions		104
0	Interest Received		6
1,384	Endowment Income		995
12,595	Other		9,600
17,557	**Total Other Operating Income**	SOCNE	**15,226**
147,579	**Total Income**		**149,570**
26,308	**Of the above, the amount derived from NHS bodies is**		**26,891**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

9. ANALYSIS OF CAPITAL EXPENDITURE

2014 £'000		Note	2015 £'000
	EXPENDITURE		
77	Acquisition of Intangible Assets	10	1,520
17,203	Acquisition of Property, Plant and Equipment	11	14,839
50	Donated Asset Additions	11b	104
17,330	**Gross Capital Expenditure**		**16,463**
	INCOME		
0	Net book value of disposal of Intangible Assets	10	1
634	Net book value of disposal of Property, Plant and Equipment	11a	63
3	Net book value of disposal of Donated Assets	11b	0
221	Value of disposal of Non-Current Assets held for sale	11c	52
50	Donated Asset Income		104
908	**Capital Income**		**220**
16,422	**Net Capital Expenditure**		**16,243**

SUMMARY OF CAPITAL RESOURCE OUTTURN

16,118	Core Capital Expenditure included above	11,749
16,118	Core Capital Resource Limit	11,749
0	**Saving against Core Capital Resource Limit**	**0**
304	Non Core Capital Expenditure included above	4,494
304	Non Core Capital Resource Limit	4,494
0	**Saving against Non Core Capital Resource Limit**	**0**
16,422	Total Capital Expenditure	16,243
16,422	Total Capital Resource Limit	16,243
0	**Saving against Capital Resource Limit**	**0**

NOTES TO THE ACCOUNTS

for the year ended 31 March 2015

10. INTANGIBLE ASSETS – CONSOLIDATED AND BOARD

		Software Licences	IT- software	Total
		£'000	£'000	£'000
Cost or Valuation:				
As at 1 April 2014		351	3,618	3,969
Additions		392	1,128	1,520
Disposals			(516)	(516)
At 31 March 2015		**743**	**4,230**	**4,973**
Amortisation				
As at 1 April 2014		244	3,026	3,270
Provided during the year		102	397	499
Disposals			(515)	(515)
At 31 March 2015		**346**	**2,908**	**3,254**
Net Book Value at 1 April 2014		**107**	**592**	**699**
Net Book Value at 31 March 2015	B S	**397**	**1,322**	**1,719**

10. INTANGIBLE ASSETS – CONSOLIDATED AND BOARD PRIOR YEAR

		Software Licences	IT- software	Total
		£'000	£'000	£'000
Cost or Valuation:				
As at 1 April 2013		326	3,566	3,892
Additions		25	52	77
At 31 March 2014		**351**	**3,618**	**3,969**
Amortisation				
As at 1 April 2013		177	2,534	2,711
Provided during the year		67	492	559
At 31 March 2014		**244**	**3,026**	**3,270**
Net Book Value at 1 April 2013		**149**	**1,032**	**1,181**
Net Book Value at 31 March 2014	B S	**107**	**592**	**699**

NOTES TO THE ACCOUNTS

11. (a) Property, Plant & Equipment (Purchased Assets) – CONSOLIDATED AND BOARD

		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2014		19,764	260,366	5,752	1,052	47,220	8,976	3,380	15,837	362,347
Additions			4,494						10,345	14,839
Completions		55	18,163	345		2,648	912	336	(22,459)	0
Revaluation		42	1,900	(413)					191	1,720
Impairment Charge		(101)	(439)							(540)
Disposals					(171)	(2,802)	(2,023)	(61)		(5,057)
At 31 March 2015		**19,760**	**284,484**	**5,684**	**881**	**47,066**	**7,865**	**3,655**	**3,914**	**373,309**
Depreciation										
At 1 April 2014			8,505	315	986	30,446	7,356	2,061		49,669
Provided during the year			7,305	266	36	3,848	793	406		12,654
Revaluation			(5,336)	(425)						(5,761)
Impairment Charge			(87)							(87)
Disposals					(171)	(2,742)	(2,023)	(58)		(4,994)
At 31 March 2015		**0**	**10,387**	**156**	**851**	**31,552**	**6,126**	**2,409**	**0**	**51,481**
Net book value at 1 April 2014		19,764	251,861	5,437	66	16,774	1,620	1,319	15,837	312,678
Net book value at 31 March 2015	B S	**19,760**	**274,097**	**5,528**	**30**	**15,514**	**1,739**	**1,246**	**3,914**	**321,828**
OMV of Land inc above		**272**		**258**						
Asset financing:										
Owned		19,760	235,368	5,528	30	15,514	1,739	1,246	3,914	283,099
Finance leased			1,239							1,239
On-balance sheet PFI contracts			37,490							37,490
NBV at 31 March 2015		**19,760**	**274,097**	**5,528**	**30**	**15,514**	**1,739**	**1,246**	**3,914**	**321,828**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

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

		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2013		19,788	256,947	5,632	1,302	45,464	8,988	3,560	15,877	357,558
Additions			304						16,899	17,203
Completions			9,571			3,857	6	351	(13,785)	0
Revaluation		107	(5,275)	120					426	(4,622)
Impairment Charge		(76)	(1,036)						(3,327)	(4,439)
Disposals		(55)	(145)		(250)	(2,101)	(18)	(531)	(253)	(3,353)
At 31 March 2014		**19,764**	**260,366**	**5,752**	**1,052**	**47,220**	**8,976**	**3,380**	**15,837**	**362,347**
Depreciation										
At 1 April 2012			10,920	139	1,173	28,358	6,292	2,194		49,076
Provided during the year			6,879	251	63	4,008	1,082	398		12,681
Revaluation			(9,261)	(75)						(9,336)
Impairment Charge			(33)							(33)
Disposals					(250)	(1,920)	(18)	(531)		(2,719)
At 31 March 2014		**0**	**8,505**	**315**	**986**	**30,446**	**7,356**	**2,061**	**0**	**49,669**
Net book value at 1 April 2013										
Net book value at 31 March 2014	B S	**19,788**	**246,027**	**5,493**	**129**	**17,106**	**2,696**	**1,366**	**15,877**	**308,482**
OMV of Land Inc Above		**19,764**	**251,861**	**5,437**	**66**	**16,774**	**1,620**	**1,319**	**15,837**	**312,678**
		282								
Asset financing:										
Owned		19,764	218,238	5,437	66	16,774	1,620	1,319	15,837	279,055
Finance leased			1,278							1,278
On-balance sheet PFI contracts			32,345							32,345
NBV at 31 March 2014		**19,764**	**251,861**	**5,437**	**66**	**16,774**	**1,620**	**1,319**	**15,837**	**312,678**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2015

11(b) Property, Plant & Equipment (Donated Assets) – CONSOLIDATED AND BOARD

		Land (inc under buildings)	Buildings (excluding dwellings)	Dwellings	Plant & Machinery	Information Technology	Furniture & Fittings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2014		45	2,424	208	1,295	45	2	4,019
Additions					104			104
Revaluation			121	2				123
Disposals					(13)			(13)
At 31 March 2015		**45**	**2,545**	**210**	**1,386**	**45**	**2**	**4,233**
Depreciation								
At 1 April 2014			51	4	995	27	2	1,079
Provided during the year			53	4	85	5		147
Revaluation			(97)	(9)				(106)
Disposals					(13)			(13)
At 31 March 2015		**0**	**7**	**(1)**	**1,067**	**32**	**2**	**1,107**
Net book value at 1 April 2014		45	2,373	204	300	18	0	2,940
Net book value at 31 March 2015	B S	**45**	**2,538**	**211**	**319**	**13**	**0**	**3,126**
OMV of Land Inc Above		**0**		**0**				
Asset financing:								
Owned		45	2,538	211	319	13	0	3,126
NBV at 31 March 2015		**45**	**2,538**	**211**	**319**	**13**	**0**	**3,126**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2915

11(b) Property, Plant & Equipment (Donated Assets) –PRIOR YEAR CONSOLIDATED AND BOARD

		Land (inc under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation								
At 1 April 2013		45	2,372	202	1,308	43	2	3,972
Additions					43	7		50
Revaluation			52	6				58
Disposals					(56)	(5)		(61)
At 31 March 2014		**45**	**2,424**	**208**	**1,295**	**45**	**2**	**4,019**
Depreciation								
At 1 April 2013			28		963	23	2	1,016
Provided during the year			51	4	88	6		149
Revaluation			(28)					(28)
Disposals					(56)	(2)		(58)
At 31 March 2014		**0**	**51**	**4**	**995**	**27**	**2**	**1,079**
Net book value at 1 April 2013		**45**	**2,344**	**202**	**345**	**20**	**0**	**2,956**
Net book value at 31 March 2014	B S	**45**	**2,373**	**204**	**300**	**18**	**0**	**2,940**
Open Market Value of Land in Land and Dwellings Included Above		**0**		**0**				
Asset financing:								
Owned		45	2,373	204	300	18	0	2,940
Net Book Value at 31 March 2014		**45**	**2,373**	**204**	**300**	**18**	**0**	**2,940**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

11. (c) ASSETS HELD FOR SALE

ASSETS HELD FOR SALE - CONSOLIDATED AND BOARD

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2014		52	**52**
Disposals for non-current assets held for sale		(52)	**(52)**
As at 31 March 2015	BS	**0**	**0**

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED AND BOARD

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2013		273	**273**
Disposals for non-current assets held for sale		(221)	**(221)**
As at 31 March 2014	BS	**52**	**52**

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2014 £'000	Board 2014 £'000			Consolidated 2015	Board 2015 £'000
		Net book value of property, plant and equipment at 31 March			
312,678	312,678	Purchased	11a	321,828	321,828
2,940	2,940	Donated	11b	3,126	3,126
315,618	**315,618**	**Total**	B S	**324,954**	**324,954**
282	282	Net book value related to land valued at open market value at 31 March		272	272
257	257	Net book value related to buildings valued at open market value at 31 March		258	258
		Total value of assets held under:			
1,278	1,278	Finance Leases		1,239	1,239
32,345	32,345	PFI and PPP Contracts		37,490	37,490
33,623	33,623			38,729	38,729
		Total depreciation charged in respect of assets held under:			
99	99	Finance leases		99	99
990	990	PFI and PPP contracts		962	962
1,089	1,089			1,061	1,061

An annual valuation of 20% of all NHS Highland properties was carried out by Barr & Burnetts in March 2015. The net impact was a decrease in value of £1,377K for Purchased assets - a debit to Revaluation reserve of £924K and an approved impairment figure of £453K. Donated assets increased in value by £217K. Indices set between 5 - 5.5% for buildings, zero for land.

12. INVENTORIES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000			Consolidated 2015 £'000	Board 2015 £'000
5,604	5,604	5,413	5,413	Raw Materials and Consumables		5,409	5,409
5,604	**5,604**	**5,413**	**5,413**	**Total Inventories**	B S	**5,409**	**5,409**

13. TRADE AND OTHER RECEIVABLES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
				Receivables due within one year NHSScotland			
		93	93	SGHSCD		106	106
3,826	3,826	2,239	2,239	Boards		4,852	4,852
3,826	**3,826**	**2,332**	**2,332**	**Total NHSScotland Receivables**		**4,958**	**4,958**
366	366	641	641	NHS Non-Scottish Bodies		763	763
641	641	382	382	VAT recoverable		1,010	1,010
6,618	6,618	6,505	6,505	Prepayments		5,306	5,306
2,287	2,287	3,815	3,815	Accrued income		2,239	2,239
1,550	1,719	642	842	Other Receivables		1,604	1,758
8,435	8,435	11,552	11,552	Reimbursement of provisions		7,981	7,981
4,162	4,162	24,238	24,238	Other Public Sector Bodies		24,414	24,414
27,885	**28,054**	**50,107**	**50,307**	**Total Receivables due within one year**	B S	**48,275**	**48,429**
				Receivables due after more than one year NHSScotland			
1,814	1,814	1,742	1,742	Prepayments		1,670	1,670
5,926	5,926	2,672	2,672	Accrued income		3,014	3,014
12	12	13	13	Other Receivables		13	13
378	378	4,129	4,129	Reimbursement of Provisions		1,655	1,655
8,130	**8,130**	**8,556**	**8,556**	**Total Receivables due after more than one year**	B S	**6,352**	**6,352**
36,015	**36,184**	**58,663**	**58,863**	**TOTAL RECEIVABLES**		**54,627**	**54,781**
399	399	346	346	The total receivables figure above includes a provision for impairments of :		369	369
				WGA Classification			
3,826	3,826	2,239	2,239	NHS Scotland		4,852	4,852
641	641	703	703	Central Government bodies		1,106	1,106
4,162	4,162	24,010	24,010	Whole of Government bodies		24,318	24,318
366	366	641	641	Balances with NHS Bodies in England & Wales		763	763
27,020	27,189	31,070	31,270	Balances with bodies external to Government		23,588	23,742
36,015	**36,184**	**58,663**	**58,863**	**Total**		**54,627**	**54,781**

13. TRADE AND OTHER RECEIVABLES

2014 £'000	2014 £'000	Movements on the provision for impairment of receivables are as follows:	2015 £'000	2015 £'000
399	399	At 1 April	346	346
76	76	Provision for impairment	216	216
(9)	(9)	Receivables written off during the year as uncollectible	(69)	(69)
(120)	(120)	Unused amounts reversed	(124)	(124)
346	**346**	At 31 March	**369**	**369**

As of 31 March 2015, receivables with a carrying value of £369,000 (2014: £346,000) were impaired and provided for. The amount of the provision was £369,000 (2014: £346,000).

2014 £'000	2014 £'000	The aging of these receivables is as follows:	2015 £'000	2015 £'000
0	0	3 to 6 months past due	369	369
346	346	Over 6 months past due	0	0
346	**346**		**369**	**369**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2015, receivables with a carrying value of £1,868,000 (2014: £1,096,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2014 £'000	2014 £'000		2015 £'000	2015 £'000
347	347	Up to 3 months past due	592	592
489	489	3 to 6 months past due	685	685
260	260	Over 6 months past due	591	591
1,096	**1,096**		**1,868**	**1,868**

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

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

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

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

2014 £'000	2014 £'000	The carrying amount of receivables are denominated in the following currencies:	2015 £'000	2015 £'000
58,663	58,863	Pounds	54,627	54,781
58,663	**58,863**		**54,627**	**54,781**

All non-current receivables are due within ten years (2013-14: eleven years) from the balance sheet date.
The carrying amount of short term receivables approximates their fair value.

The fair value of long term other receivables is £54,781 (2013-14:£58,863)

The effective interest rate on non-current other receivables is 2.2% (2013-2014:2.2%). Pension liabilities are discounted at 1.3% (2013-14:1.8%)

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000			Consolidated 2015 £'000	Board 2015 £'000
594		556		Government securities		463	
7,388	127	7,567	127	Other		7,349	123
7,982	**127**	**8,123**	**127**	**TOTAL**	BS	**7,812**	**123**
7,392		7,982	127	At 1 April		8,123	127
208	127	890		Additions		504	
(611)		(851)		Disposals		(1,194)	(4)
993		102		Revaluation surplus transferred to equity		379	
7,982	**127**	**8,123**	**127**	**At 31 March**		**7,812**	**123**

15. CASH AND CASH EQUIVALENTS

	Note	At 01/04/14 £'000	Cash Flow £'000	At 31/03/15 £'000
Government Banking Service account balance		63	88	151
Cash at bank and in hand		92	(85)	7
Endowment Cash		968	581	1,549
Total cash and cash equivalents - balance sheet	BS	**1,123**	**584**	**1,707**
Total cash - cash flow statement		**1,123**	**584**	**1,707**
		CFS		CFS

Prior Year 2013-14

		At 01/04/13 £'000	Cash Flow £'000	At 31/03/14
Government Banking Service account balance		56	7	63
Cash at bank and in hand		54	38	92
Endowment Cash		833	135	968
Total cash and cash equivalents - balance sheet	BS	**943**	**180**	**1,123**
Total cash - cash flow statement		**943**	**180**	**1,123**
		CFS		CFS

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

16. TRADE AND OTHER PAYABLES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
				Payables due within one year NHSScotland			
7,680	7,680	10,265	10,265	Boards		15,773	15,773
7,680	**7,680**	**10,265**	**10,265**	**Total NHSScotland Payables**		**15,773**	**15,773**
506	506	1,018	1,018	NHS Non-Scottish Bodies		798	798
110	110	155	155	Amounts payable to General Fund		158	158
11,604	11,604	11,414	11,414	FHS Practitioners		11,148	11,148
8,580	8,580	5,014	5,014	Trade Payables		2,172	2,172
18,305	18,303	15,411	15,387	Accruals		16,214	16,214
502	502	415	415	Deferred income		52	52
132	132	140	140	Payments received on account		148	148
51	51	51	51	Net obligations under Finance Leases	22	79	79
1,062	1,062	1,151	1,151	Net obligations under PPP/PFI Contracts	23	1,284	1,284
6,182	6,182	6,062	6,062	Income tax and social security		5,923	5,923
3,604	3,604	4,165	4,165	Superannuation		4,318	4,318
1,985	1,985	928	928	Holiday Pay Accrual		1,043	1,043
5	5	4	4	Construction Industry Tax		3	3
5,378	5,378	2,936	2,936	Other Public Sector Bodies		3,138	3,138
1,449	1,449	1,269	1,269	Other payables		1,187	1,169
109	109	102	102	Other significant Payables Ees pension contribution to Local Gvt Pension Scheme		93	93
326	326	304	304	Other significant Payables Ers pension contribution to Local Gvt Pension Scheme		293	293
67,570	**67,568**	**60,804**	**60,780**	**Total Payables due within one year**	BS	**63,824**	**63,806**

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
				Payables due after more than one year - NHSScotland			
57	57	80	80	Net obligations under Finance Leases due within 2 years	22	111	111
226	226	366	366	Net obligations under Finance Leases due after 2 years but within 5 years	22	404	404
2,066	2,066	1,863	1,863	Net obligations under Finance Leases due after 5 years	22	1,713	1,713
1,151	1,151	1,249	1,249	Net obligations under PPP/PFI Contracts due within 2 years	23	1,397	1,397
4,083	4,083	4,446	4,446	Net obligations under PPP/PFI Contracts after 2 years but within 5 years	23	5,014	5,014
28,951	28,951	27,339	27,339	Net obligations under PPP/PFI Contracts due after 5 years	23	29,451	29,451
0	0	1,733	1,733	Local Government Pension Fund Liability		5,048	5,048
36,534	**36,534**	**37,076**	**37,076**	**Total Payables due after more than one year**	BS	**43,138**	**43,138**
104,104	**104,102**	**97,880**	**97,856**	**TOTAL PAYABLES**		**106,962**	**106,944**
				WGA Classification			
7,680	7,680	10,265	10,265	NHS Scotland		15,773	15,773
6,187	6,187	6,066	6,066	Central Government Bodies		5,927	5,927
5,379	5,379	2,936	2,936	Whole of Government Bodies		3,139	3,139
506	506	1,018	1,018	Balances with NHS Bodies in England and Wales		798	798
84,352	84,350	77,595	77,571	Balances with bodies external to Government		81,325	81,307
104,104	**104,102**	**97,880**	**97,856**	**Total**		**106,962**	**106,944**
£'000	**£'000**	**£'000**	**£'000**	Borrowings included above comprise:			
2,400	2,400	2,360	2,360	Finance Leases		2,307	2,307
35,247	35,247	34,185	34,185	PFI Contracts		37,146	37,146
37,647	**37,647**	**36,545**	**36,545**			**39,453**	**39,453**
				The carrying amount and fair value of the non-current borrowings are as follows:			
£'000	**£'000**	**£'000**	**£'000**	**Carrying amount**			
2,349	2,349	2,309	2,309	Finance Leases		2,228	2,228
34,185	34,185	33,034	33,034	PFI Contracts		35,862	35,862
36,534	**36,534**	**35,343**	**35,343**			**38,090**	**38,090**

2013 Fair Value £'000	2013 Fair Value £'000	2014 Fair Value £'000	2014 Fair Value £'000		2015 Fair Value £'000	2015 Fair Value £'000
				The carrying amount and fair value of the non-current borrowings are as follows		
				Fair value		
2,349	2,349	2,309	2,309	Finance Leases	2,228	2,228
34,185	34,185	33,034	33,034	PFI Contracts	35,862	35,862
36,534	**36,534**	**35,343**	**35,343**		**38,090**	**38,090**

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

2013	2013	2014	2014			
£'000	**£'000**	**£'000**	**£'000**	The carrying amount of payables are denominated in the following currencies:	**£'000**	**£'000**
104,104	104,102	97,880	97,856	Pounds	106,962	106,944
104,104	**104,102**	**97,880**	**97,856**		**106,962**	**106,944**

17. PROVISIONS – CONSOLIDATED AND BOARD

	Pensions & similar obligations	Clinical & Medical	Participation in CNORIS	Other	2015 Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	6,940	15,699	19,522	452	42,613
Arising during the year	1,825	2,118		444	4,387
Utilised during the year	(626)	(1,181)		(118)	(1,925)
Unwinding of discount	278				278
Reversed unutilised	(35)	(7,652)	(5,471)	(30)	(13,188)
At 31 March 2015	**8,382**	**8,984**	**14,051**	**748**	**32,165**

Analysis of expected timing of discounted flows – to March 2015

		Pensions & similar obligations	Clinical & Medical	Participation in CNORIS	Other	2015 Total
		£'000	£'000	£'000	£'000	£'000
Payable in one year	BS	764	6,994	14,051	712	22,521
Payable between 2-5 years		2,146	1,990		36	4,172
Payable between 6-10 years		2,379				2,379
Thereafter	BS	3,093				3,093
Total as at 31 March 2015		**8,382**	**8,984**	**14,051**	**748**	**32,165**

PROVISIONS – RESTATED CONSOLIDATED (PRIOR YEAR)

	Pensions & similar obligations	Clinical & Medical	Participation in CNORIS	Other	2014 Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	6,469	8,762	14,418	1,206	30,855
Arising during the year	818	9,227	5,104	503	15,652
Utilised during the year	(567)	(181)		(126)	(874)
Unwinding of discount	268				268
Reversed unutilised	(48)	(2,109)		(1,131)	(3,288)
At 31 March 2014	**6,940**	**15,699**	**19,522**	**452**	**42,613**

Analysis of expected timing of discounted flows – to March 2014

		Pensions & similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2014 Total £'000
Payable in one year	BS	708	11,294	19,522	403	31,927
Payable between 2-5 years		1,916	4,405		49	6,370
Payable between 6-10 years		2,100				2,100
Thereafter	BS	2,216				2,216
At 31 March 2014		**6,940**	**15,699**	**19,522**	**452**	**42,613**

PROVISIONS – RESTATED CONSOLIDATED AND BOARD (2013)

	Pensions & similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2013 Total £'000
As at April 2012	5,763	5,807		389	11,959
Arising during the year	1,018	4,498	14,418	1,052	20,986
Utilised during the year	(558)	(1,301)		(189)	(2,048)
Unwinding of discount	246				246
Reversed unutilised		(242)		(46)	(288)
As at 31 March 2013	6,469	8,762	14,418	1,206	30,855

Analysis of expected timing of discounted flows – to March 2013

		Pensions & similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2013 Total £'000
Payable in one year	BS	693	8,584	14,418	916	24,611
Payable between 2-5 years		2,120	178		290	2,588
Payable between 6-10 years		1,900				1,900
Thereafter		1,756				1,756
At 31 March 2013		**6,469**	**8,762**	**14,418**	**1,206**	**30,855**

Pensions and similar obligations
The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.3% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 20 years.

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

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

Other provisions include an amount of £22,200 in respect of the Board's estimated liability arising from equal pay claims

17b Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2013 £'000	2014 £'000		Note	2015 £'000
8,762	15,699	Provision recognising individual claims against the NHS Board as at 31 March	17	8,984
(8,813)	(15,681)	Associated CNORIS receivable at 31 March	13	(9,636)
14,418	19,522	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	14,051
14,367	**19,540**	**Net Total Provision relating to CNORIS at 31 March**		**13,399**

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within the board's own budgets. Participants, e.g. NHS board, contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associate receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHSScotland has been made and this is reflected in the third line above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

Further information on the scheme can be found at:
http://www.clo.scot.nhs.uk/our-services/cnoris.aspx

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

18. MOVEMENT ON WORKING CAPITAL BALANCES

2014 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2015 Net Movement £'000
	INVENTORIES				
191	Balance Sheet	12	5,413	5,409	
191	**Net Decrease**				**4**
	TRADE AND OTHER RECEIVABLES				
(22,253)	Due within one year	13	50,307	48,429	
(426)	Due after more than one year	13	8,556	6,352	
			58,863	54,781	
(22,679)	**Net (Increase)/Decrease**				**4,082**
	TRADE AND OTHER PAYABLES				
(6,788)	Due within one year	16	60,780	63,806	
542	Due after more than one year	16	37,076	43,138	
293	Less: Property, Plant & Equipment (Capital) included in above		(174)	(352)	
(45)	Less: General Fund Creditor included in above		(155)	(158)	
1,102	Less: Lease and PFI Creditors included in above	16	(36,545)	(39,453)	
			61,330	67,685	
(4,896)	**Net (Decrease)/Increase**				**6,355**
	PROVISIONS				
11,758	Balance Sheet	17	42,613	32,165	
11,758	**Net Increase/(Decrease)**				**(10,448)**
(15,626)	**NET MOVEMENT (Decrease)**	CFS			**(7)**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2014

19. CONTINGENT LIABILITIES

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

2014	Nature	2015
£'000		£'000
2,819	Clinical and medical compensation payments	2,442
347	Employer's liability	177
9	Third party liability	0
3,175	**TOTAL CONTINGENT LIABILITIES**	**2,619**

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

2014	CONTINGENT ASSETS	2015
£'000		£'000
2,236	Clinical and medical compensation payments	1,831
188	Employer's liability	103
2,424		**1,934**

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

21. COMMITMENTS

Restated 2014	Capital Commitments	2015 Property, plant and equipment
	The Board has the following Capital Commitments which have not been included in the accounts	
£'000		£'000
	Contracted	
6,347	Mid Argyll PFI Lifecycle costs	6,278
5,259	Easter Ross PFI Lifecycle costs	5,137
170	Tain Health Centre HUB	0
0	Drumnadrochit Health Centre	1,400
0	Raigmore Critical Care and Theatres	3,500
0	Raigmore Outpatients/Cafe	275
1,010	Estates Backlog Projects	0
12,786	**Total**	**16,590**
	Authorised but not Contracted	
507	Various Others	100
1,000	NDP HUB - Drumnadrochit	0
4,675	Raigmore Critical Care/Theatres	0

0	Eigg Community Base	120
0	Argyll & Bute Intensive Paediatric Care Unit	288
1,010	Estates Backlog Projects	810
1,000	Medical Equipment	500
0	Defibrillators	150
100	Dental Equipment	100
528	eHealth Replacement	1,385
1,250	Radiology	1,452
1,630	Radiotherapy	534
0	Detecting Cancer Early	85
0	Catering Trolleys	200
11,700	**Total**	**5,724**

22. COMMITMENTS UNDER LEASES

2014	**Operating Leases**	2015
£'000	Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.	£'000
	Buildings	
1,872	Not later than one year	1,877
1,872	Later than one year, not later than 2 years	1,843
4,971	Later than two years, not later than five years	4,585
15,766	Later than five years	14,316
	Other	
2,800	Not later than one year	2,926
2,164	Later than one year, not later than two years	2,540
2,875	Later than two years, not later than five years	1,238
	Amounts charged to Operating Costs in the year were:	
3,848	Hire of equipment (including vehicles)	3,989
2,866	Other operating leases	3,019
6,714	**Total**	**7,008**

2014	**Finance Leases**		2015
£'000	Total future minimum lease payments under finance leases are given in the table below for the each of the following periods.		£'000
	Obligations under Finance leases comprise:		
	Buildings		
252	Rentals due within one year	16	310
275	Rentals due between one and two years (inclusive)	16	331
899	Rentals due between two and five years (inclusive)	16	994
2,511	Rentals due after five years	16	2,385
3,937			4,020
(1,577)	Less interest element		(1,713)
2,360			**2,307**
	This total net obligation under finance leases is analysed in Note 16 (Trade and Other Payables)		
	Aggregate Rentals Receivable in the year		
299	Total of finance & operating leases		**460**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

23. COMMITMENTS UNDER PFI CONTRACTS ON BALANCE SHEET

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

2013 £'000	2014 £'000	Gross Minimum Lease Payments	New Craig's £'000	Easter Ross £'000	Mid Argyll £'000	Tain HC HUB £'000	2015 Total £'000
3,772	3,773	Rentals due within 1 year	1,922	621	1,229	398	4,170
3,773	3,772	Due within 1 to 2 years	1,922	621	1,228	401	4,172
11,317	11,317	Due within 2 to 5 years	5,767	1,865	3,686	1,220	12,538
44,017	40,244	Due after 5 years	10,389	6,132	19,950	8,261	44,732
62,879	59,106	**Total**	20,000	9,239	26,093	10,280	65,612
		***Less* Interest Element**					
(2,710)	(2,622)	Rentals due within 1 year	(1,426)	(317)	(780)	(363)	(2,886)
(2,622)	(2,523)	Due within 1 to 2 years	(1,355)	(302)	(758)	(360)	(2,775)
(7,234)	(6,871)	Due within 2 to 5 years	(3,523)	(810)	(2,134)	(1,057)	(7,524)
(15,066)	(12,905)	Due after 5 years	(3,168)	(1,365)	(6,362)	(4,386)	(15,281)
(27,632)	(24,921)	**Total**	(9,472)	(2,794)	(10,034)	(6,166)	(28,466)
		Present value of minimum lease payments					
1,062	1,151	Rentals due within 1 year	496	304	449	35	1,284
1,151	1,249	Due within 1 to 2 years	567	319	470	41	1,397
4,083	4,446	Due within 2 to 5 years	2,244	1,055	1,552	163	5,014
28,951	27,339	Due after 5 years	7,221	4,767	13,588	3,875	29,451
35,247	34,185	**Total**	10,528	6,445	16,059	4,114	37,146

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

2013 £'000	2014 £'000		2015 £'000
3,789	3,951	Service charges	4,186
2,790	2,710	Interest charges	2,935
		Contingent Rent	4
6,579	**6,661**	**Total**	**7,125**

4. PENSION COSTS

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

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

For the current year, normal employer contributions of £34,313,000 were payable to the SPPA (prior year £33,590,000) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS Board incurred additional costs of £0 (prior year £0) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £1.4 billion to be made by future contributions from employing authorities.

Provisions amounting to £1.876 m are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

Existing scheme:
The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 14.5% of pensionable earnings. Pensions are increased in line with Consumer Prices Index.

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

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

New 2008 arrangements:
The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions and allowances are index linked to protect their value.

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

	2015 £'000	2014 £'000
Pension cost charge for the year	34,313	33,590
Pension cost in year of staff transferred from Highland Council	6,997	7,492
Provisions/Liabilities/Pre-payments included in the Balance Sheet	1,876	1,870

IAS 19 Multi-employer plans 148

(a) NHS Highland participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.
(b) NHS Highland has no liability for other employers obligations to the multi-employer scheme.
(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
(d)
(i) The scheme is an unfunded multi-employer defined benefit scheme.
(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Highland is unable to identify its share of the underlying assets and liabilities of the scheme.
(iii) The employer contribution rate for the period from 1 April 2015 will be 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.
(iv) At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employers contribution rate.
(v) The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2014 were £640.5 million (see note 3 in the scheme accounts). Contributions collected in the year to 31 March 2015 will be published in November 2015.)
NHS Highland's level of participation in the scheme is 5.36% based on the proportion of employer contributions paid in 2013-14.

PENSION COSTS FOR STAFF TRANSFERRED FROM HIGHLAND COUNCIL
As part of the terms and conditions of employment for the staff transferred from Highland Council, the Board participates in the Local Government Pension Scheme administered by Highland Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
The Fund is constituted under legislation governing the Local Government Superannuation Scheme – details are contained in the 2010 regulations. The Highland Council is required to publish the Pension Fund annual report which is available at www.highland.gov.uk or from Highland Council, Glenurquhart Road, Inverness.

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

Highland Council recognises the liability of the Pension Fund at 31/03/2012 attributable to these NHS Highland staff in the Highland Council accounts. NHS Highland recognises the deficit in the Fund for the year from 1 April 2014 to 31 March 2015 of £6.572m, giving a total to 31st March 2015 of £11.465m (total to 31st March 2014 of £4,893m). This is included in two parts in NHS Highland's accounts:-

a) £6.417m of realised deficit in SOCNE which has been covered by funding from Scottish Government and
b) £5.048m of unrealised deficit due to actuarial assumptions which is recorded as other Comprehensive Net Expenditure and offset against Reserves in the Balance Sheet.

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

The charge to the Statement of Comprehensive Net Expenditure consists of:	2015 £000	2014 £000
Current Service cost	6,750	5,483
Interest Cost	863	486
Return in the Fund Assets	(589)	(391)
Financial Assumptions Loss/(Gain)	3,315	1,906
Charge to statement of comprehensive net expenditure	10,339	7,484

The current assets and liabilities are made up of :-

Present Value of the Scheme Liabilities		
Opening defined benefit obligation	16,251	7,559
Current Service Cost	6,750	5,483
Interest Cost	863	486
Change in financial assumptions	2,823	2,114
Estimated benefits paid	(234)	(683)
Changes in demographic assumptions	291	0
Other experience	1,701	0
Contributions by scheme participants	1,233	1,292
Closing Value	29,678	16,251

Fair Value of the Scheme Assets		
Opening Fair Value of scheme assets	11,358	6,272
Expected return on scheme assets	1,500	208
Interest Income	589	391
Contributions by employer	3,767	3,878
Contributions by Scheme participants	1,233	1,292
Estimated benefits paid (net of transfers in)	(234)	(683)
Closing value	18,213	11,358

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

The total contributions expected to be made to the Highland Council Pension Scheme by NHS Highland in the year to 31 March 2016 is £3.914m.

Basis for estimating assets and liabilities of the Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2014.

The principal actuarial assumptions adopted as at 31 March 2015 are as follows:

	2015	2014
(a) Long term expected rate of return on assets in the scheme	6.1% pa	6.1% pa
(b) Life expectancy from age 65 (years)		
Retiring today		
Males	22.5	21.3
Females	24.1	23.6
Retiring in 20 years		
Males	24.7	22.6
Females	26.8	25.1
(c) Financial assumptions		
RPI increases	2.8%	3.6%
CPI increases	1.9%	2.8%
Rate of increase in salaries	4.3%	5.2%
Rate of increase in pensions	2.4%	2.9%
Rate of discounting scheme liabilities	3.2%	4.3%
Take up of option to convert annual pension into retirement lump sum	50%	50%
(d) The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held		
Securities	45%	47%
Debt Securities	20%	19%
Private Equity	3%	2%
Real Estate	11%	8%
Investment Funds & Unit Trusts	20%	22%
Cash	1%	2%
Total	100%	100%

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

25. PRIOR YEAR ADJUSTMENTS

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

A retrospective restatement has been recognised in these Accounts arising from the changes to the accounting treatment for CNORIS as set out in Notes 1 and 17b.

The opening general fund balance for 2013/14 has been reduced by £14,418k. This amount represents the Board's share of the total liability of NHS Scotland as at 31 March 2013 as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. This amount is also recognised at Note 17.

		Dr **£'000**	Cr **£'000**
Adjustment 1	2012/13 Clinical CNORIS Commitment		
	General Fund	14,059	
	Provisions		14,059
Adjustment 2	2012/13 Non Clinical CNORIS Commitment		
	General Fund	359	
	Provisions		359
Adjustment 3	In Year 2013/14 Clinical CNORIS Commitment		
	Other Non Clinical Costs	4,886	
	Provisions		4,886
Adjustment 4	In Year 2013/14 Non Clinical CNORIS Commitment		
	Other Non Clinical Costs	218	
	Provisions		218
Adjustment 5	Reverse Asset Disposal incorrectly charged to Revaluation Reserve		
	General Fund	18	
	Revaluation Reserve		18

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

26a. RESTATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	These Accounts £'000
Clinical Services Costs				
Hospital and Community	611,598			611,598
Less: Hospital and Community Income	125,751			125,751
	485,847	**0**	**0**	**485,847**
Family Health Services	160,066			160,066
Less: Family Health Services Income	4,207			4,207
	155,859			**155,859**
Total Clinical Services Costs	**641,706**	**0**	**0**	**641,706**
Administration Costs	4,784			4,784
Less: Administration Income	64			64
	4,720	**0**	**0**	**4,720**
Other Non Clinical Services	14,734	5,104		19,838
Less: Other Operating Income	17,557			17,557
	(2,823)	**5,104**	**0**	**2,281**
Net Operating Costs	**643,603**	**5,104**	**0**	**648,707**

26b. RESTATED BALANCE SHEET

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	These Accounts £'000
Non-current Assets				
Property, plant and equipment	315,618			315,618
Intangible assets	699			699
Financial Assets:				
Available for sale financial assets	127			127
Trade and other receivables	8,556			8,556
	325,000	**0**	**0**	**325,000**
CURRENT ASSETS				
Inventories	5,413			5,413
Financial assets:				
Trade and other receivables	50,307			50,307
Cash and cash equivalents	155			155
Assets classified as held for sale	52			52
	55,927	**0**	**0**	**55,927**
TOTAL ASSETS	**380,927**	**0**	**0**	**380,927**
CURRENT LIABILITES				
Provisions	(26,823)	(5,104)	0	(31,927)
Financial liabilities:				
Trade and other payables	(60,780)			(60,780)
TOTAL CURRENT LIABILITIES	**(87,603)**	**(5,104)**	**0**	**(92,707)**
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	**293,324**	**(5,104)**	**0**	**288,220**
Non- current liabilities				
Provisions	(10,686)			(10,686)
Financial liabilities:				
Trade and other payables	(37,076)			(37,076)
Total non-current liabilities	**(47,762)**	**0**	**0**	**(47,762)**
Assets less liabilities	**245,562**	**(5,104)**	**0**	**240,458**
TAXPAYERS' EQUITY				
General Fund	149,716	(5,104)	(18)	144,594
Revaluation Reserve	94,419		18	94,437
Other Reserves	1,427			1,427
Total taxpayers' equity	**245,562**	**(5,104)**	**0**	**240,458**

26C. RESTATED STATEMENT OF CASHFLOWS

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	These Accounts £'000
Cash flows from operating activities				
Net operating cost	(643,603)	(5,104)	0	(648,707)
Adjustments for non-cash transactions	17,916			17,916
Add back: interest payable recognised in net operating cost	3,236			3,236
(Increase) / decrease in trade and other receivables	(22,648)			(22,648)
(Increase) in inventories	191			191
(Increase) / decrease in trade and other payables	(4,874)			(4,874)
Decrease in provisions	6,654	5,104	0	11,758
Net cash outflow from operating activities	**(643,128)**	**0**	**0**	**(643,128)**

Highland Health Board

Cash flows from investing activities				
Purchase of property, plant and equipment	(17,496)			(17,496)
Purchase of intangible assets	(77)			(77)
Investment Additions	(890)			(890)
Proceeds of disposal of property, plant and equipment	768			768
Receipts from sale of investments	851			851
Net Cash outflow from investing activities	**(16,844)**			**(16,844)**
Cash flows from financing activities				
Funding	664,445			664,445
Movement in general fund working capital	45			45
Cash drawn down	664,490			664,490
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(1,102)			(1,102)
Interest paid	(268)			(268)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(2,968)			(2,968)
Net Financing	**660,152**	**0**	**0**	**660,152**
Net Increase in cash and cash equivalents in the period	**180**	**0**	**0**	**180**
Cash and cash equivalents at the beginning of the period	943			943
Cash and cash equivalents at the end of the period	**1,123**	**0**	**0**	**1,123**
Reconciliation of net cash flow to movement in net debt/cash				
Increase in cash in year	**180**	**0**	**0**	**180**
Net debt / cash at 1 April	943			943
Net cash at 31 March	**1,123**	**0**	**0**	**1,123**

27 Financial Assets
CONSOLIDATED

	Notes	Loans & Receivables	Available for Sale	Total
At 31 March 2015		**£'000**	**£'000**	**£'000**
Assets per balance sheet				
Investments	14		7,812	7,812
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	32,047		32,047
Cash and cash equivalents	15	1,707		1,707
		33,754	**7,812**	**41,566**

BOARD

	Notes	Loans & Receivables £'000	Available for Sale £'000	Total £'000
At 31 March 2015				
Assets per balance sheet				
Investments	14		123	123
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	32,201		32,201
Cash and cash equivalents	15	158		158
		32,359	**123**	**32,482**

CONSOLIDATED (Prior Year)

	Notes	Loans & Receivables	Available for Sale	Total
At 31 March 2014				
Assets per balance sheet				
Investments	14		8,123	8,123
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	13	32,021		32,021
Cash and cash equivalents	15	1,123		1,123
		33,144	**8,123**	**41,267**

BOARD (Prior Year)

	Notes	Loans & Receivables	Available for Sale	Total
At 31 March 2014				
Assets per balance sheet				
Investments	14		127	127
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	13	32,221		32,221
Cash and cash equivalents	15	155		155
		32,376	**127**	**32,503**

27. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities
CONSOLIDATED

AT 31 MARCH 2015	Note	Other financial liabilities £'000	Total £'000
Liabilities per balance sheet			
Finance lease liabilities	16	2,307	2,307
PFI Liabilities	16	37,146	37,146
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	16	41,440	41,440
		80,893	**80,893**

BOARD

	Note	£'000	£'000
Liabilities per balance sheet			
Finance lease liabilities	16	2,307	2,307
PFI Liabilities	16	37,146	37,146
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	16	41,422	41,422
		80,875	**80,875**

CONSOLIDATED (Prior Year)

	Note	Other financial liabilities £'000	Total £'000
Finance lease liabilities	16	2,360	2,360
PFI Liabilities	16	34,185	34,185
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	40,424	40,424
		76,969	**76,969**

BOARD (Prior Year)

	Note	Other financial liabilities £'000	Total £'000
Finance lease liabilities	16	2,360	2,360
PFI Liabilities	16	34,185	34,185
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	40,400	40,400
		76,945	**76,945**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

27. FINANCIAL INSTRUMENTS, cont.

b FINANCIAL RISK FACTORS

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

Credit risk - the possibility that other parties might fail to pay amounts due.
Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

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

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2015	**£'000**	**£'000**	**£'000**	**£'000**
PFI Liabilities	4,170	4,172	12,538	44,732
Finance lease liabilities	310	332	994	2,384
Trade and other payables exc statutory liabilities	51,831		5,048	
Total	**56,311**	**4,504**	**18,580**	**47,116**

At 31 March 2014	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
PFI Liabilities	3,773	3,772	11,317	40,244
Finance lease liabilities	252	275	899	2,511
Trade and other payables exc statutory liabilities	48,965		1,723	
Total	**52,990**	**4,047**	**13,949**	**42,755**

c) Market Risk

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

i) Cash flow and fair value interest rate risk
The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

ii) Foreign Currency Risk
The NHS Board is not exposed to foreign exchange rates.

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

c FAIR VALUE ESTIMATION

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

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

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Board has no transactions of this type.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

29. RELATED PARTY TRANSACTIONS

The Board had no transactions with other government departments and other central government bodies. Transactions with the Endowment Funds are disclosed in note 33.

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

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

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

The value of the partnership agreement for 14/15 for Adult Social Care was circa £93.1 million, and is shown in note 8 for income. The value of the agreement for Childrens Services was circa £8.7 million and is included in Note 4.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

30. SEGMENT INFORMATION

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

	Note	A&B CHP	Raigmore Hospital	North & West Operational Unit	South & Mid Operational Unit	Adult Social Care Central	Adult Social Care Funding	Child Services	Other	2015
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost		184,906	146,307	127,744	185,729	6,444	(93,072)	8,659	83,372	650,089

30. SEGMENT INFORMATION – PRIOR YEAR

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

	Note	A&B CHP	Raigmore Hospital	North & West Operational Unit	South & Mid Operational Unit	Adult Social Care Central	Adult Social Care Funding	Child Services	Other	2014
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost		179,551	147,081	113,449	166,944	29,021	(87,489)	8,440	91,710	648,707

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

31. THIRD PARTY ASSETS

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

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

	2014	Gross Inflows	Gross Outflows	2015
	£'000	£'000	£'000	£'000
Monetary amounts such as bank balances and monies on deposit	442	1,001	(918)	525
Total Monetary Assets	**442**	**1,001**	**(918)**	**525**

EXIT PACKAGES – PRIOR YEAR

	Number of other Departures - Agreed	2014 Total Number of Exit Packages by cost band
£25,000 - £50,000	1	1
Total Number of Exit Packages by Type	**1**	**1**
Total Resource Cost (£'000)	44	44

NOTES TO THE ACCOUNTS
for the year ended 31 March 2015

33a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group 2014 £'000		Board 2015 £'000	Endowment 2015 £'000	Intra Group adjustment 2015 £'000	Consolidated 2015 £'000
	Clinical Services Costs				
611,598	Hospital and Community	616,773			616,773
125,751	Less: Hospital and Community Income	129,999			129,999
485,847		486,774			486,774
160,066	Family Health	163,583			163,583
4,207	Less: Family Health Income	4,271			4,271
155,859		159,312			159,312
641,706	**Total Clinical Services Costs**	**646,086**			**646,086**
4,784	Administration Costs	4,777			4,777
64	Less: Administration Income	74			74
4,720		4,703			4,703
19,838	Other Non Clinical Services	13,478	1,153	(105)	14,526
17,557	Less: Other Operating Income	14,231	1,100	(105)	15,226
2,281		(753)	53	0	(700)
648,707	**Net Operating Costs**	**650,036**	**53**	**0**	**650,089**

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

33b. CONSOLIDATED GROUP BALANCE SHEET

Restated Group 2014 £'000		Note	Board 2015 £'000	Endowment 2015 £'000	Intra Group adjustment 2015 £'000	Group 2015 £'000
	Non-current Assets:					
315,618	Property, plant and equipment	11	324,954			324,954
699	Intangible assets	10	1,719			1,719
	Financial assets:					
8,123	Available for sale financial assets	14	123	7,689		7,812
8,556	Trade and other receivables	13	6,352			6,352
332,996	**Total non-current assets**		**333,148**	**7,689**		**340,837**
	Current Assets:					
5,413	Inventories	12	5,409			5,409
	Financial assets:					
50,107	Trade and other receivables	13	48,429	8	(162)	48,275
1,123	Cash and cash equivalents	15	158	1,549		1,707
52	Assets classified as held for sale	11c				
56,695	**Total current assets**		**53,996**	**1,557**	**(162)**	**55,391**
389,691	**Total Assets**		**387,144**	**9,246**	**(162)**	**396,228**

	Current liabilities					
(31,927)	Provisions		(22,521)			(22,521)
	Financial liabilities:					
(60,804)	Trade and other payables	16	(63,806)	(180)	162	(63,824)
(92,731)	**Total current liabilities**		**(86,327)**	**(180)**	**162**	**(86,345)**
296,960	**Non-current assets plus/less net current assets/liabilities**		**300,817**	**9,066**	**0**	**309,883**
	Non-current liabilities					
(10,686)	Provisions	17	(9,644)			(9,644)
	Financial liabilities:					
(37,076)	Trade and other payables	16	(43,138)			(43,138)
(47,762)	**Total non-current liabilities**		**(52,782)**			**(52,782)**
249,198	**Assets less liabilities**		**248,035**	**9,066**	**0**	**257,101**
	Taxpayers' Equity					
144,594	General Fund	SOCTE	146,902			146,902
94,437	Revaluation reserve	SOCTE	99,764			99,764
1,427	Other reserves	SOCTE	1,369			1,369
8,740	Funds Held on Trust	SOCTE		9,066		9,066
249,198	**Total taxpayers' equity**		**248,035**	**9,066**	**0**	**257,101**

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

33c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board £'000	Endowment £'000	Group £'000		Board £'000	Endowment £'000	Group £'000
			Cash flows from operating activities			
(648,828)	121	(648,707)	Net operating cost	(650,036)	(53)	(650,089)
17,916		17,916	Adjustments for non-cash transactions	13,597		13,597
3,236		3,236	Add back: interest payable recognised in net operating cost	3,448		3,448
			Deduct: Interest receivable recognised in net operating costs	(6)		(6)
(22,679)	31	(22,648)	(Increase)/decrease in trade and other receivables	4,082	(46)	4,036
191		191	Decrease in inventories	4		4
(4,896)	22	(4,874)	Increase/(decrease) in trade and other payables	6,355	(6)	6,349
11,758		11,758	Increase/(decrease) in provisions	(10,448)		(10,448)
(643,302)	**174**	**(643,128)**	**Net cash outflow from operating activities**	**(633,004)**	**(105)**	**(633,109)**
			Cash flows from investing activities			
(17,496)		(17,496)	Purchase of property, plant and equipment	(15,017)		(15,017)
(77)		(77)	Purchase of intangible assets	(1,520)		(1,520)
	(890)	(890)	Investment Additions		(504)	(504)
768		768	Proceeds of disposal of property, plant and equipment	109		.109
			Proceeds of disposal of intangible assets	1		1
	851	851	Receipts from sale of investments	4	1,190	1,194
			Interest and dividends received	6		6
(16,805)	**(39)**	**(16,844)**	**Net cash outflow from investing activities**	**(16,417)**	**686**	**(15,731)**
664,445		664,445	**Cash flows from financing activities** Funding	649,961		649,961
45		45	Movement in general fund working capital	3		3
664,490	0	664,490	Cash drawn down	649,964	0	649,964

(1,102)		(1,102)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2,908		2,908
(268)		(268)	Interest paid	(278)		(278)
(2,968)		(2,968)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,170)		(3,170)
660,152	**0**	**660,152**	**Net Financing**	**649,424**	**0**	**649,424**
45	135	180	**Net increase in cash and cash equivalents in the period**	3	581	584
110	833	943	**Cash and cash equivalents at the beginning of the period**	155	968	1,123
155	968	1,123	**Cash and cash equivalents at the end of the period**	158	1,549	1,707
			Reconciliation of net cash flow to movement in net debt/cash			
45	135	180	Increase/(Decrease) in cash in year	3	581	584
110	833	943	Net cash at 1 April	155	968	1,123
155	**968**	**1,123**	**Net cash at 31 March**	**158**	**1,549**	**1,707**

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