# Highland Health Board

# ANNUAL ACCOUNTS

for

## THE YEAR ENDED 31 MARCH 2013

# Highland Health Board

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## ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2013

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

**1. Naming Convention**
Highland NHS Board is the common name for Highland Health Board.

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

**3. Date of Issue**
Financial statements were approved by the Board on 27 June 2013 and authorised for issue on 27 June 2013.

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

**5. Appointment of auditors**
The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2011/12 to 2015/16 the Auditor General appointed Stephen O'Hagan, Assistant Director – Audit Services Audit Scotland to undertake the audit of Highland Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

**6. Board Membership**

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

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

Garry Coutts, Chair

Ian Gibson, Vice-Chair (until 4/6/12), then a Non Executive Member

Sarah Wedgwood, Vice Chair (appointed 5/6/12), prior was a Non Executive Member

Bill Brackenridge, Non Executive Member

Robin Creelman, Non Executive Member

Margaret Davidson, Non Executive Member (until 30/4/12)

David Alston, Non Executive Member (appointed 1/6/12)

Michael Evans, Non Executive Member

Iain Kennedy, Non Executive Member

Gillian McCreath, Non Executive Member

Okain McLennan, Non Executive Member

Colin Punler, Non Executive Member

Elaine Robertson, Non Executive Member (until 30/4/12)

John McAlpine, Non Executive Member (appointed 1/6/12)

Vivian Shelley, Non Executive Member (until 31/5/12)

Alasdair Lawton, Non Executive Member (appointed 1/6/12)

Ray Stewart, Non Executive Member

Michael Foxley, Non Executive Member (appointed 1/6/12)

Myra Duncan, Non Executive Member (appointed 1/4/12)

Elaine Mead, Chief Executive

Nick Kenton, Director of Finance

Ian Bashford, Medical Director

Heidi May, Nurse Director

Margaret Somerville, Director of Public Health & Health Policy

Anne Gent, Director of Human Resource

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

## 7. Board Members' and senior managers' interests

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

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

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

**8. Directors third party indemnity provisions**

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

**9. Pension Liabilities**

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

**10. Remuneration for non audit work**

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

**11. Value of Land**

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

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

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

**13. Payment Policy**

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

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

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

In 2012/13 average credit taken was 11 days (prior year 11 days).
In 2012/13 the Board paid 94.8% by value (prior year 89.3%) and 94.5% by volume. (prior year 93.6%) within 30 days.
In 2012/13 the Board paid 86.3% by value (prior year 73%) and 83.6% by volume. (prior year 82.8%) within 10 days.

**14. Corporate Governance**

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

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

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

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

The membership of the clinical governance committee comprises four non-executive directors and three executive directors/senior managers drawn from the Board and was chaired by Sarah Wedgwood. The committee provides an oversight to the systems and processes for delivering clinical governance and facilitates appropriate integration, together with providing assurance to the NHS Board that necessary systems for clinical governance are in place and operating effectively, whilst overseeing the delivery of the Local Delivery Plan (HEAT) target in relation to the NHS Quality Improvement (QIS) Standards for Clinical Governance & Risk Management and developing a Quality and Clinical Governance Strategy for NHS Highland.

**Audit Committee**
The Audit Committee comprises of a minimum of three non-executive directors from the Board and was chaired by Ian Gibson until May 2012 and then 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.

**Staff Governance Committee**

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

The membership of the Staff Governance Committee comprises four Non-Executive Directors one of whom Colin Punler chairs 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 had previously developed a Workforce Strategy, which considered the National and Local Drivers for Change; however the prevailing financial situation across the NHS in Scotland 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

**Ethics Committee**
NHS Highland Clinical Ethics Committee is a sub committee of the Clinical Governance Committee and meets on an ad-hoc basis depending on the need to discuss particular issues following which reports are submitted to the Clinical Governance committee. The Clinical Ethics Committee is chaired by Dr Robert Peel, consultant physician. Throughout 2012/13 the Committee has been very active in promoting the services they offer including an article in the Staff Newsletter.

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

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

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

## 15. Disclosure of Information to Auditors

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

## 16. Human Resources

An equal opportunities employer, the Health Board welcomes applications for employment from disabled people, and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Board. The Board works cooperatively with other public agencies to support disabled people to meet and consider how their experience of work could be improved and enhanced. The Board monitors both applications and the existing 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 Policies and engages and consults employees and their representatives, so their views are taken into account in decisions affecting their interests, through the

Highland and Local Partnership Forums. Workforce Information Reports have continued to be developed and extended and been made available to all staff on the Intranet. Ongoing work has been undertaken by the HR sub Group in updating HR Policies and Procedures which are also accessible electronically by staff on the Intranet. An internal communications strategy also ensures that staff are informed of developments.

In April 2012, approximately 1620 adult social care staff transferred under the TUPE Regulations from the Highland Council as part of the Planning for Integration initiative. Ensuring these staff have access both to their own policies and procedures, and to the equivalent policies and procedures of NHS Highland, has led the Board to develop an external website, accessible from any computer irrespective of which network it sits on. This initiative has been a key element in ensuring these transferred staff are well-informed.

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

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

On 29 May 2013, NHS Boards in Scotland were informed of the Scottish Terms and Conditions Council's decision that women health workers in Scotland were to receive back-dated public holiday pay that they were entitled to whilst on maternity leave. The impact to NHS Highland of back-dating this to April 2008 is estimated as £900,000 and this has been included in the accounts for 2012/13 as a provision.

**18. Financial Instruments**

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

The Accountable Officer authorised these financial statements for issue on 27 June 2013.

By order of the Board

27 JUNE 2013 Elaine Mead ..... Chief Executive

# Highland Health Board

## OPERATING AND FINANCIAL REVIEW

### 1. Principal Activities and Review of the Year

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

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

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

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

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

### POLICY BACKGROUND

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

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

The role of the unified NHS Board is to:

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

# Highland Health Board

The functions of the unified NHS Board comprise:

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

**Developments during 2012/13**

The planning, co-ordinating and delivery of services across NHS Highland is managed through two Partnerships: Highland Health and Social Care Service and Argyll and Bute Community Health Partnership (CHP).

Updates have been summarised under the following sections:

- Infection Control
- Best Start in Life
- Public Health
- Integration of Adult Health and Social Care
- Highland Quality Approach
- Service Developments, National Guidelines & Standards
- Asset Management Strategy
- E-Health – Infrastructure
- Training and Education
- Achievements, Awards and Events
- Communications

**INFECTION CONTROL**

Throughout the year, infection rates across NHS Highland continued to fall with a decrease in the numbers of Staphylococcus *aureus bacteraemia* (SAB), *Clostridium difficile* and surgical site infections. Our SAB rates remain the lowest of the mainland Boards. In May we introduced a more sensitive and reliable sampling regime for detecting *C difficile* to Raigmore Hospital. This has led to an expected increase in detection rates but supports improved surveillance.

Work is ongoing to continue to bring infection rates down. This includes appointing a third consultant microbiologist and a decision to recruit a fourth.

We had Healthcare Environment Inspectorate visits to five hospitals: Lorn & Islands, (Oban), Raigmore (Inverness), Belford (Fort William) Caithness General, (Wick) and Mackinnon Memorial (Broadford). Reports were in the main favourable and any recommendations for improvement have already been acted upon.

Highland Health and Social Care area went live with a new Infection Control System (ICnet) in January 2013. Work is now progressing on implementing the system within Argyll & Bute CHP (with links to laboratories within NHS Greater Glasgow & Clyde). Work is also starting on establishing a link with patient admissions, discharges and transfers for better tracking of patients with an infection.

# Highland Health Board

## BEST START IN LIFE

### Baby friendly

All NHS Highland maternity units and communities are baby friendly, making NHS Highland only the second board in Scotland to achieve full baby friendly accreditation. This is an international award from UNICEF (United Nation's Children's Fund) which recognises the provision of high quality support to mothers and babies.

### Breastfeeding

It is well evidenced that once mums leave hospital access to support can be patchy and often conflicting advice being offered. This was particularly stark for mums in some of our most deprived areas. We have now developed a programme which provides more breast feeding support.

We successfully recruited and trained 52 peers in some of our most deprived area. They provide a range of support including through telephone contact, in-reach to Raigmore Hospital as well as offering local support groups. Particularly in remote and rural areas telephone support has proven to be particularly popular.

Training is now carried out using an in-house programme which is based on the UNICEF BFI programme. This has been piloted and is now being used across all of the area covered by NHS Highland.

In October a group of 10 peers had additional training to provide one-to-one support to women shortly after giving birth and before being discharged home.

NHS Highland is also the first Board to buy-in a new UNICEF maternity and health visiting breastfeeding management training. This will up-date our existing training and will be rolled out to staff during 2013/14.

The World Health Organisation's global strategy on infant and child feeding clearly states that while breastfeeding is a natural act it is also a learned behaviour. They advocate that accurate information should be provided through schools to promote positive perceptions. This is backed up by the Scottish Curriculum for Excellence which looks to enable each child or young person to be a successful learner, confident individual, responsible citizen and an effective contributor.

NHS Highland has developed various programmes to span the 3 – 18 curriculum. This includes a train the trainer programme. This was piloted using 26 Primary seven children who trained as trainers and delivered a programme to both Primary one and nursery pupils in the same school. The programme has evaluated well and was presented at a maternal and infant nutrition conference in Edinburgh in February.

All of this work is designed to support an increase in breast feeding rates.

### Oral Health

Good oral health in childhood means healthy teeth and gums throughout life. Childsmile is a Scotland-wide initiative aiming to reduce inequalities in oral health and ensure access to dental services for every child across the country. The programme got underway in Highland four years ago.

NHS Highland has a Dental Action Plan with key performance measures which are monitored and reported. Key actions include distribution of free dental packs and supervised tooth brushing programmes in all nurseries, Primary one and Primary two in priority schools.

# Highland Health Board

Over the past 12 years the percentage of Primary one children with experience of tooth decay has fallen from 60% in 2000 to 30% in 2012. Now the majority of Highland's five year olds start school with healthy teeth. The picture is similar for older children. In 2001 more than half (52%) of Highland's Primary seven children had experience of tooth decay in their adult teeth. In 2012 this figure was less than a quarter (23%).

Highland now has the highest proportion of Primary One and Primary Seven children with no obvious decay experience of any mainland Health Board.

**Early Years Collaborative**
Making Scotland the best place in the world for children and young people to grow up may be a tall order but that is the exciting ambition of the Early Years Collaborative.

Launched in January 2013 at a two day event held in Glasgow by the Minister for Children & Young People, the collaborative is something that Highland is very enthusiastic about. The work will fit closely with the development of the next version of "*For Highland's Children*".

Health services involved in the early years (maternity, paediatrics, GPs, dental services) are working with the children's health and social care service in Highland Council, Highland Council education services and wider Community Planning Partners to develop and implement the Early Years Collaborative.

The over-arching ambition is to reduce inequalities for all babies, children, mothers, fathers and families across Highland. This will mean taking actions to ensure that all children have the best start in life.

**Family Nurse Partnership**
Work got under way during 2012/13 to set up a Family Nurse Partnership across the inner Moray Firth area. This is an intensive evidenced based programme for first time teenage mums to give their children the best possible start in life.

Young first time mums are entitled to take part in the programme once they are 12 weeks pregnant and join before they are 28 weeks pregnant. It involves a structured programme of home visits run by highly trained family nurses. It runs from pregnancy through until the child is two years old but entering the scheme entirely voluntary.

Highland is unique as the partnership is being managed via the Highland Council as part of the Lead Agency arrangements with NHS Highland acute maternity services also engaged in the process. The Programme doesn't work in isolation and has strong links with other professional staff and agencies. It is expected that the first mums will be recruited early in 2013/14.

**Smoke Free Home Challenge**
NHS Highland and their partners have developed a project targeted at parents to raise awareness of the impact of second-hand smoke (SHS) on their children's health.

Key to the project is the pledge system. This offers households a choice of restricting smoking at one of four levels (bronze/silver/gold/diamond pledge). The gold pledge is where residents agree to not allow smoking anywhere in the home or family car; which is generally accepted to be the only way to fully protect non-smokers from SHS. Recognising that circumstances can make attaining the Gold Level initially difficult for some residents, additional pledges were included as stepping stones to help them towards making their home and car completely smoke-free.

Since May 2010, 615 homes have signed up to the project with 120 expectant mothers living in participating households.

## PUBLIC HEALTH

### Annual Report

The Director of Public Health's Annual Report for 2012 focussed on the Health and Well-Being of Older People. Published in October 2012, it highlighted a "*substantial*" projected increase in the proportion of older people. While this will present a major challenge for health and social care provision going into the future it was also described as "*an extraordinary success story*". The 2013 report will focus on child health.

### Immunisation

The uptake of primary immunisations in infants remains at just over 95%, with a small increase by the age of two years. Meanwhile uptake of the first dose of MMR by five years old was 96.5% for the year ending 31 December 2012, just above the Scottish target of 95%. And just over 90% of five years olds received their second dose of MMR –room for improvement, but uptake has been steadily increasing. There were no laboratory confirmed cases of measles in NHS Highland during the year.

There continues to be successful delivery of the HPV immunisation programme in schools by public health nursing teams.

Pregnant women are also included in the seasonal influenza immunisation programme, and since October 2012 offered immunisation against pertussis (whooping cough). A snap-shot audit of uptake amongst women delivering in Raigmore Hospital over one week demonstrated that three-quarters had received both vaccines.

Uptake of influenza vaccine by staff in the 2012/13 season was 35% - the highest uptake we have so far recorded. Plans are in place to build on this in the coming season.

Preparatory work also got underway to support proposed changes to the immunisation programme for 2013/14.

### Abdominal Aortic Aneurysm Screening

The formal launch of the National Abdominal Aortic Aneurysm (AAA) Screening Programme was held in Inverness on 10th October. Aortic Aneurysms affect one in 20 men in Scotland, most of whom will be unaware that they have the condition. Screening involves a simple 10 minute ultrasound scan of the abdomen. Screening is an evidence-based, cost-effective way to reduce the mortality. The programme provides an initial one-off screen for men who are aged 65.

### Detect Cancer Early

Work is ongoing to support the Detect Cancer Early Programme. The work focuses on bowel, breast and lung cancer. People have a much higher chance of surviving the disease if it's detected early.

### High 5 Health and Wellbeing Programme in Highland Council Primary Schools

The High 5 programme is delivered by teachers to primary school children and promotes body respect and healthy lifestyles, meeting curriculum outcomes. It has been jointly developed by NHS Highland's Health Improvement Team and the Highland Council Education, Culture and Sport. It was delivered to over 2000 children in 32 schools. This rollout will continue throughout 2013/14.

**Healthy Weight**
The Healthy Weight strategy, jointly developed by NHS Highland and two local authorities in our area, sets the framework for interventions to support health at any and every size. The focus for the Health Improvement team was to develop and implement a healthy weight care pathway. This included a dietetic led specialist weight management intervention, which has been piloted throughout 2012/13 offering advice and support to individuals with severe and complex obesity. The service prioritises health gain over weight loss. It supports patients to identify and improve behaviours associated with healthy eating, physical activity, social interactions and mental wellbeing. Plans to roll out both these interventions are in place for 2013/14.

**Physical Activity**
Physical activity has an important role in the management and treatment in a wide range of conditions

Active travel and physical activity developments undertaken within NHS Highland includes a Bike User Group based at Raigmore Hospital, staff walking groups and bike maintenance classes; with plans to roll out this model to other sites.

Physical Activity was highlighted at this year's Annual Review event, with an audience of over 350 invited to set their own personal physical activity challenge. 150 signed up to a challenge, and many took the opportunity on the day to experience a 'health walk' led by local Step-It-Up Highland volunteers.

The muscular-skeletal physiotherapy team and other NHS staff have recognised the need to support patients maintain physical activity on discharge from clinical rehabilitation programmes. Networking with Leisure providers in the community is in place to enable patients to access appropriate activities that they enjoy.

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

Pilots with Paediatric and Allied Health Professional staff to 'raise the issues of physical activity' with patients are also underway.

**Healthy Advice to Men**
It is well documented that men are less likely to access their GP. During the year many NHS Highland staff and other organisations and individuals with expertise participated in a number of free public talks about different health issues. The talks are arranged by Men's Health Highland. They have proved ever popular and with greater steps taken to promote the events attendance have been growing.

**Highland Alcohol and Drug Partnership**
A range of work has been progressed to develop an integrated recovery pathway. A single point of referral to the NHS Highland Substance Misuse Service has been established in Inverness allowing faster access to a client's first appointment, which is now within a seven day period.

A Recovery Event was also held in November 2012 where partners shared examples of good practice and consulted on key aspects of the client journey throughout the pathway and how best to evidence these.

A festive overdose prevention campaign was arranged with the local radio and ran over the festive fortnight. Legal High and Alcohol briefing sheets have also been produced and targeted at teachers and other workers in contact with young people. Work is ongoing with

partners in the Scottish Police Force and Highland Council to consider what further action can be taken on legal highs.

**Health Inequalities**
The health of the population in the area covered by NHS Highland is improving; however, work is ongoing to ensure this improvement continues and applies equally to all communities. A Health Inequalities event took place in April 2013, with the Chief Medical Officer Sir Harry Burns as our key note speaker.

People aged 40 to 64 year olds living in our most deprived communities are eligible for a free Keep Well health check. The assessment includes a physical check up, general questions about health and lifestyle and an opportunity for individuals to ask about any other health related problems or worries they may have. Close to 700 Keep Well health checks were delivered during 2012/13.

The Keep Well approach also plays an integral part of other strands of work being taken forward to help improve the health of the population in the area we cover.

**Violence against Women**
We continue to tackle Violence against Women in Highland through our multi-agency partnerships. MARAC (Multi-Agency Risk Assessment Conference) is a risk management process whereby those affected by domestic abuse, and assessed as at very high risk from repeat incidents and/or serious harm, are discussed at a multi-agency meeting and plans developed to improve their safety.

Since October 2012 there has been a MARAC Co-ordinator in place. Currently, MARACs are operating across Lochaber, Inverness and Ross-shire. It is anticipated that all areas will be covered by a MARAC by the summer of 2013.

By gathering and analysing local and national data on Violence against Women we have set our priorities for action for 2013/14. We continue to work to address issues in relation to sexual violence in Highland. With the new NHS responsibilities in relation to forensic investigations, we will be able to develop an improved service for those affected and to ensure they tie in to other agencies and support services. Over 2013/14 we will also focus on prevention initiatives with children and young people and the wider community.

**New Post to Support People with Mental Health Problems**
In September NHS Highland introduced a new post to support people with mental health problems on their journey to employment. People with mental health problems are less likely to be employed than any other group of disabled people. Earlier this year members of NHS Highland met with the Highland Users Group to hear their experiences about how difficult it can be to find employment.

**Self Management**
There is a wide range of work happening to promote self management. One example is work being supported by arthritis care in Argyll and Bute, where six lay people have been trained as trainers to support people with long term conditions to self manage.

**INTEGRATION OF ADULT HEALTH AND SOCIAL CARE**

The Scottish Government's programme for 2012-13 included the consultation on Integration of Adult Health and Social Care Bill, which the government sees as representing "the radical reform that is needed to improve care, particularly for older people, and to make better use of the substantial resources that we commit to adult health and social care". Among other things, the Bill will put in place a requirement on Health Boards and Local Authorities to integrate adult health and social care budgets.

# Highland Health Board

In April 2012, part of NHS Highland (the area covered by the Highland Council) became the first health board in the country to integrate healthcare with adult social care in a lead agency model. We are now able to manage the whole continuum of adult care from at home right through to acute hospital care. NHS Highland used existing legislation – the Community Care and Health (Scotland) Act 2002 – to integrate adult social care with health. For NHS Highland this resulted in 1620 staff transferring from The Highland Council for Adult Social Care Services and 230 staff transferring to The Highland Council for Children's Services. Funding also transferred £86.9m from The Highland Council to NHS Highland and £7.5m from NHS Highland to The Highland Council.

A year down the line the new structures are bedding in and new ways of working taking shape to support better and more joined up working. A strong platform is now in place to allow front line teams to deliver smoother care, more quickly and without gaps or duplication of effort. There are already good examples of improvements.

NHS Highland is confident that integration is starting to deliver benefits to both patients and social care clients, not least by having one, rather than two, organisations providing a seamless care pathway to patients/clients.

With the move to integrate these vital services throughout the country, NHS Highland's experience of integration is being viewed with some interest by other health boards, councils in Scotland and politicians.

Derek Mackay, Scottish Government Minister for Local Government and Planning has already visited NHS Highland to discuss integration.

**HIGHLAND QUALITY APPROACH**

The Highland Quality Approach puts "quality first to deliver better health, better care and better value". The overall aim is to improve both outcomes of care and experience of care. We formally launched the Highland Quality Approach at our Annual Event in September.

It captures the spirit of how NHS Highland is working to improve care and outcomes for people in Highland. It describes our ways of working, values and behaviour. It embodies The Scottish Government's 20:20 Vision, NHS Scotland's Health Care Quality Strategy, National Person-Centred Health and Care Programme, and more recently the findings published in the Francis Report.

It focuses on having an absolute attention to detail to ensure we eliminate waste, reduce harm and understand and manage variation in practice. It applies to everything we do. It is based on The Virginia Mason Production System, which was introduced to a world-leading healthcare provider in Seattle, USA. There is considerable evidence that better quality, safer care is also more efficient and costs less.

During the year we have been further reviewing and testing improvement methodologies, we have trained more staff and we have sought and secured the backing of senior clinicians. We have also conducted a number of fact-finding visits including to Virginia Mason Medical Centre in Seattle; Tees, Esk and Wear Valleys NHS Foundation. It builds on strong foundations already established from National Collaborative Programmes including Scottish Safety Programme.

All of our service re-designs and quality improvement work is now harnessed and co-ordinated under the Highland Quality Approach. In 2012/13, 150 formal projects got under way and some of these are highlighted below. High-level priority themes have also been agreed for 2013/14 and include Cancer Services, Patient Flow (reducing hospital admissions and time spent in hospital) and roll out of Scottish Safety Programme to General Practice, Mental Health and Maternity Services.

# Highland Health Board

**Examples of Improvement Work**

During the year a huge amount of service improvement and re-design work has been happening. A few examples are summarised.

**Safer Acute Hospital Service**
NHS Highland emerged as one of the top two health boards in Scotland in a national assessment of patient safety standards. Examples of the improvement work included the Critical Care team in Raigmore Hospital who achieved 697 days between ventilator associated pneumonias, far surpassing the already ambitious national target of 300 days.

NHS Highland has also shown a continued reduction in hospital mortality rates.

**Improved Service for Accessible Housing Applications**
During the year we re-designed the process for accessible housing applications to reduce lengthy delays for assessments.

**Integrating Health and Social Care Services in Practice**
By making better use of local health and social care services in Inverness and re-designing ways of working this has reduced the average length of hospital stay to the Community Hospital

In Lochaber, three teams used to provide input to Invernevis House Care Home with up to 12 different nurses visiting over a week. Residents are now seen regularly by the same two nurses promoting continuity of care and reducing hospital admissions.

**Improving Continence Service**
A Highland-wide review of services found that not everyone was being assessed and those who were had to wait for between one and four weeks for their assessment. Moreover, an audit highlighted that only three per cent of those who had been assessed actually received active treatment. Re-design work has supported a successful move to supported self management.

**Re-design of Microbiology Service**
A more patient focused service has been delivered and staff satisfaction has improved with staff working to grade. Skill mix redesign has achieved pay saving of £200,000 per annum with an additional recurring of £250,000 forecast.

**Re-design of Adult Mental Health Services**
A range of redesign initiatives were progressed during 2012/13 including two in-patient pilot wards testing the Scottish Patient Safety Programme prior to a national roll out in September 2013. This has included tests of change for improvement of Risk Assessment and Risk Management.

Work to support Mental Health Rehabilitation Redesign also got underway in New Craigs. Once complete this will free up resource to create a multi-professional community rehabilitation team for mental health in line with best practice. It will also ensure an integrated approach across in-patient and community services.

**Child and Adolescent Mental Health Service**
Significant re-design and improvement took place to successfully bring in the national Referral to Treatment Target of 26 weeks by March 2013. Focussed work continues in readiness to reduce the waiting times to 18 weeks by 2014. Two consultant Psychiatrists were appointed and will take up post early in 2013/14.

**Enhanced Recovery Programme**
This is an evidence based approach to delivering better care and experience of care for patients requiring an operation. A key component is supporting patients well in advance of their operation to be prepared by taking part in an education programme and also have relevant information. Overall it is safer and allows people to return home sooner. This initially got underway in orthopaedics but during 2012/13 work was progressed to roll it out to other specialities including Head and Neck and Colorectal pathways.

**Weight Management Service**
A successful Weight Management Service has been set up. It supports people with severe and complex obesity through a series of nine appointments over a six month period. The Programme focuses on health gain rather than weight loss and involves specialist dietetic input.

**Community Dermatology Service and Secondary Care Triage**
New ways of working continue to improve patient pathways resulting in more rapid and accurate diagnosis and management of skin lesions. All patients requiring to see a specialist are now seen much more quickly and those receiving inappropriate or unnecessary surgery is also falling, year on year.

From December 2009 to February 2013 the number of lesions removed has almost halved from just over 600 to 325. The reduction during 2012/13 is particularly impressive falling from 439 to 325, evidence of continuous improvement.

**Outpatient Antibiotic Therapy Service (OPAT)**
The service continues to help many more people receive their treatment at home or closer to home. Established in September 2011, during the first 12 months some 2,400 beds days were saved.

## SERVICE DEVELOPMENTS, NATIONAL GUIDELINES & STANDARDS

**18 Weeks Referral to Treatment**
During the year, NHS Highland delivered the National 18 Week referral to treatment time guarantee.

**Child and Adolescent Mental Health Service**
Significant re-design and improvement took place to successfully bring in the national Referral to Treatment Target of 26 weeks by March 2013. Focussed work continues in readiness to reduce the waiting times to 18 weeks by 2014. Two consultant Psychiatrists were appointed and will take up post early in 2013/14.

Plans for a purpose-built unit in Dundee for young people with mental health problems made significant progress during the year culminating with an initial approval from the Scottish Government in April 2013.

The North of Scotland Regional Child and Adolescent Mental Health Service (NoS CAMHS) project is a partnership between Tayside, Grampian, Highland, Orkney and Shetland NHS Boards which has seen the establishment of a specialist network for young people with severe and complex mental health problems.

Work is expected to be complete and the new service fully operational by late 2014.

# Highland Health Board

**Modernising Radiotherapy Techniques in Raigmore Hospital**
A second linear accelerator arrived at Raigmore Hospital in August 2011 and became operational in April 2012.

The Varian True Beam, the first of its kind in Scotland, is one of the most advanced technologies in the world. Currently there are only three in Scotland and Raigmore's Unit was the first to treat patients in Scotland and the third to go clinical in the UK.

It allows the delivery of more advanced treatment for cancer patients by using high-precision radiotherapy. Approximately half of all new cancer patients are likely to require radiotherapy as part of their initial disease management, and the numbers of patients diagnosed with cancer are also rising.

Rapid improvement work for breast pathway in radiotherapy is planned for 2013/14.

**New MS Drug**
Multiple sclerosis (MS) patients in Highland became the first in Scotland to be offered a new treatment. The drug, Fingolimod, is the first oral treatment for highly active MS and the first patient in Highland began this treatment in November. It is only suitable for a percentage of people but for those who can move onto the drug it is much more convenient.

**Cardiology Service Reached a Milestone**
NHS Highland's Cardiology service reached a milestone in December with the 1000th angioplasty patient being treated at Raigmore Hospital in Inverness.

**New Community Maternity Assessment Service**
A new fully equipped and midwife led unit, located in Invergordon, became operational in March.

**Restorative Dentistry Services – Business Case**
During the year the Board approved a business case which will see improvements to restorative dentistry services across the North of Scotland area, including the appointment of two consultants.

**Telemedicine Clinic**
A Telemedicine clinic into Abbeyfield Care Home in Ballachulish (Lochaber) has been established allowing twice weekly nurse led clinics under the supervision of the Consultant Psychiatrist (based in Inverness).

Patients with any mental illness, either resident in Abbeyfield, or who attend lunch club/day care can access the clinic. The majority of patients have dementia, ranging from early stages to severe. Evaluation included patient and staff feed-back.

**Harm Reduction Service**
NHS Highland's Naloxone programme has led the way in the UK. In 2009 we commenced the delivery of the training programme and provision of a take home Naloxone service. Through this successful programme we provided training on overdose prevention, intervention and the intramuscular administration of Naloxone in the event of an opiate overdose to those at risk, their friends & family and staff

This year we also started to provide the first take home programme in Europe to offer Naloxone for intranasal administration. This is allowing the option of a non-invasive and safe method of delivering.

# Highland Health Board

**Review of care of older people in acute hospital care**
A wide range of work has been happening to improve care for older people in acute hospital settings, including education, training, developing standards and observational visits.

Environmental issues such clocks and toilet / shower signs which are unfit for older persons are being adjusted to ensure that we comply with the requirements.

The Butterfly Scheme - which gives hospital staff the tools and training to deliver a targeted response to support patients with dementia – got underway in Raigmore. Patients are identified by using a discreet symbol – a butterfly. It is an opt-in scheme. Some 250 staff attended an awareness session held in January.

NHS Highland submitted a self assessment against five key areas for each of our acute Hospitals (Caithness General, Raigmore, Belford and Lorn and the Islands).

All this work also links in with implementing standards of care for dementia as well as older adult mental health services.

**Implementing the Standards of Care for Dementia** CEL 20 (2011)
Work to implement the National Standards has been progressing steadily including:

- recruitment to Nurse Consultant post for Dementia
- recruitment to Nurse Practitioner post
- participation in the National Dementia Champion Programme
- roll out of Education and Training programmes
- recruitment of Dementia Link Workers to provide 12 month post diagnostic support – *a national guarantee*
- implementing NHS Highland's Integrated Care Pathway
- implementing Anticipatory Care Plans with an initial focus on care homes, including review visits by Care of the Elderly, Consultant Physician

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

There is still a need to progress development of the community infrastructure to support avoidance of admission to hospital for fallers who are uninjured. This work will be done in partnership with the Scottish Ambulance Service.

**Tissue Viability**
Scottish Government funding has enabled a team of Tissue Viability champions to take forward the roll out of the Skin Bundle, commencing with community hospitals. Work planned for 2013/14 includes the appointment of a senior practitioner who will work specifically with the care homes, care at home and third sector to help drive down incidence of pressure ulcers.

In addition, a Pressure Ulcer Prevention, Management Pathway and Mattress Selection Guide will be introduced.

**Developing and Implementing a Strategy for Reablement**
The Operational Units have been developing an Integrated District Team model. These teams will be rolled out from April 2013 and will provide a single point of access and assessment within a district or locality. This will be a key next step in creating the process to deliver reablement utilising the trained staff in the Care at Home service.

Over the last year the Care at Home service has been developing its capacity to deliver targeted reablement services. For instance in the South Area of Mid and South Operational Unit a total of 202 people were referred for specific reablement interventions. The outcomes are extremely encouraging, and are in line with experience in other parts of the country where reablement is being delivered.

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

A proposal titled "*An approach to building sustainability of health and care services in remote and rural areas*" has been drafted by NHS Highland and partners and it is hoped work will be progressed in 2013/14.

**Operational Unit Delivery Plans 2013/14**
Operational Unit Delivery Plans have been prepared as part of Local Delivery Plan. These include Unit profile of services, health characteristics of the population, a descriptor of quality and redesign initiatives, a finance plan, the approach to public/patient engagement and the HEAT/Community Care Balanced scorecards.

## ASSET MANAGEMENT STRATEGY

As set out in CEL (2010) 35, NHS Highland has a Property Asset Management Strategy which provides a comprehensive review of property performance, areas for improvement and clear guidance as to how the clinical strategy is informing the property strategy. The strategy was approved at our Board Meeting in June 2012.

The property review forms part of our wider strategic plan which is looking at more community based and integrated health and social care services, less reliance on hospital beds and overall rationalising the use of buildings especially those which are in close proximity of each other.

2012/13 saw significant progress ranging from completion of projects, submission of business cases to making significant strides to being greener. Some of the successes delivered during the year are summarised:

**Migdale Hospital**
In August, Michael Matheson, Minister for Public Health, officially opened the £8m Migdale Hospital in Bonar Bridge. During the year the building was nominated for several awards.

**Mull and Iona Progressive Care Centre and Community Hospital**
The new, purpose-built, £8 million Mull and Iona Community Hospital and 1-15 Bowman Court opened in November 2012. The facility includes three beds for in-patients, a two bay community casualty unit as well as facilities for outpatients. There are also 12 individual supported living flats which are managed by West Highland Housing Association. It replaces the existing Dunaros Residential Care Centre and Community Hospital in Salen

# Highland Health Board

**New Health Centre for Broadford Opened**
Work was completed on the new £1.3m Health Centre in Broadford on Skye. It opened in June and serves people living in Broadford and surrounding communities including Kyleakin and Kylerhea. It replaces the building used by Broadford Medical Practice.

**Better Use of Buildings**
Phase one re-design work to improve the facilities on the Golspie campus (Lawson and Cambusavie Units) were completed in March 2013. The work saw the in-patient beds and staff come together into the Cambusavie Unit and a new Minor Injury Unit was also completed allowing the Out of Hours Service to operate from this Unit. The next phase of work will see outpatient services move from the current area into the vacated in-patient space in Lawson Unit.

March 2013 also saw the completion of a three year improvement plan to re-design services which makes better use and co-ordinates resources in the Fort William area. As a result the Belhaven Ward premises (which is 0.5km from the Belford) will no longer be required. Staff previously based in the Unit will now work from the nearby Belford Hospital or Health Centre.

Work also got underway to review the use of a number of office buildings starting with those where leases are due to be reviewed.

By making better use of the space, it is possible to offer the same level of service but in a better and safer clinical environment. It also reduces the overall running costs, reduces back-log maintenance, promotes better joint working for staff and is greener.

**Oban Dental Unit**
Meanwhile in Oban work got underway to build a new £2.5m Dental Unit which is due for completion by August 2013.

**Tain Health Centre**
During the year the Board also approved an update on the outline business case for the £6m replacement to Tain Health Centre (Ross-shire) and also the Full Business Case has been approved. In preparation for the development the site has been purchased and access roads constructed. Plans remain on schedule with an anticipated completion of the building by Spring 2014.

The project is part of the first 'Design, Build, Finance and Maintain' contract in Scotland involving three projects across two Health Boards. It is being taken forward under the Scottish Futures Trust hub delivery process.

**Dingwall and Drumnadrochit Health Centres**
The Scottish Government allocated £3m over a three year period to allow improvements to Dingwall (Ross-shire) Health Centre to be completed and the building of a new Health Centre in Drumnadrochit (West Inverness-shire). Significant work has taken place during the year to work up proposals and submit successful business cases.

A site has been identified for the new Drumnadrochit Centre. Phases one and two of the re-development of Dingwall Health Centre are completed. The final phase will see significant alternations including better consulting and treatment facilities and accommodation to allow community staff to be based in the centre.

# Highland Health Board

**Lochgilphead, In-Patient Mental Health Facility**
The Argyll and Bute CHP is undertaking a major mental health service re-design project, which will see a significant increase in community mental health service and a new inpatient facility in Lochgilphead. Significant progress was made during the year. The unit will be provided under the Scottish Futures Trust hub delivery process and the timetable for completion has yet to be finalised.

**Mid Argyll Hospital, Lochgilphead**
A new unit dedicated to delivering treatments including some chemotherapy regimes and supportive therapies for cancer patients is being built within the hospital. The service is being developed in collaboration with specialist colleagues in Glasgow. The service is primarily funded from Macmillan with the additional monies being provided from significant local fundraising. Work is scheduled to start in April 2013 and is expected to take 12 weeks.

**Raigmore Hospital Fire Upgrade**
The fire upgrade is required across all the wards and is underway. It also brings an opportunity to review the layout of the hospital. The work will take place over the next three years.

**Children's Facilities at Raigmore**
Last year the ARCHIE Foundation reached the initial £1m target towards delivering a major upgrade to the Children's facilities at Raigmore. Plans are now in place for a new Children's outpatients department and for an upgraded inpatient ward. ARCHIE have also agreed to continue to raise funds. In March the Cabinet Secretary met with staff of NHS Highland and ARCHIE to see the plans.

**Kyle Court**
Work started at the beginning of January to improve patient accommodation located on the grounds of Raigmore Hospital. Kyle Court is an accommodation facility for patients (or their relatives) who do not need to stay in a hospital bed, but are undergoing treatment or investigation and need to stay close to the hospital. The work will greatly improve the facility including increasing the number of en-suite rooms.

**Future Plans for Hospitals**
Going into the future the current hospital facilities at Broadford, Portree, Grantown and Kingussie require significant upgrading. How best to provide modern health and social care facilities across these areas is being considered.

**Green Matters**

During 2012/13 NHS Highland replaced 70% of the Raigmore hospital's Oil with Biomass. This saw a removal of approximately 1.7million litres of Oil per year and a consequential reduction of 4,250 tonnes of CO2.

There have also been some key improvements relating to water. The annual cost has been reduced by £470k/yr through a full-scale review on charges. Plans are in place to further reduce consumption by 35% in partnership with Business Stream. And we are striving to reduce the 2006/07 levels by half by 2015/16.

Eco-Hospital monies gained in 2012/13 supported a widespread move to Biomass across nine sites with a further two sites scheduled for 2013/14.

The combined work which has taken place means NHS Highland is on course to achieve approximately 80% of its heat demand from renewable sources. Our vision is for at least 30% of our total electrical demand to be met from on-site sources. During the year solar panels were installed in Aviemore Health Centre with further funding identified for up to four more sites in 2013/14.

All of the actions taken to reduce the Carbon footprint has seen NHS Highland move some 500 places up the Carbon Reduction Commitment League Table, making us the highest placed Board in Scotland.

With a removal of Oil from future returns NHS Highland is likely to retain a strong position of improvement for the foreseeable future. With a penalty on emissions of at least £12/tonne this will mean a saving of over £1m between now and 2020 - over and above the savings made by the change in fuels to biomass.

## E-HEALTH – INFRASTRUCTURE

### Patient Management System

At the Board meeting in December the Board formally approved the adoption of TrakCare as the new patient management system for all of Highland. The new system has enhanced functionality which will support clinical practices including, for instance, enabling electronic ordering of diagnostic test and receive the results electronically. It also has a well established audit trail which will improve tracking of patients and monitoring of hospital waiting times. Full implementation is planned for October.

It will complement the investment already made by NHS Highland in the GP community with the introduction of the Vision Clinical System. The Programme of work will start formally on April 1st 2013 and switch over will start from November 2013, with final phases expected to be introduced from April 2014

### Implementing Trans-national Telemedicine Solutions (ITTS)

Last year it cost NHS Highland £1m to fund 5000 hours of consultant travel time alone. Supporting timely access to specialist input, across vast areas, is a challenge shared by many countries. The aim of ITTS is to establish telemedicine demonstrator projects at scale across six Northern European countries. In Highland the project includes:

- Video Conferencing (VC) links for speech and language therapies and renal services are being extended;
- VC links for emergency psychiatry in the Argyll & Bute Community Health Partnership (CHP) are enabling psychiatrists to carry out initial assessments, aiming to reduce hospital admissions;
- VC links for diabetes services across three sites;
- VC in a number of local physiotherapy gyms enabling remote exercise classes for rehabilitation of patients with COPD.

This work is a collaboration between the Centre for Rural Health (CRH), NHS Highland and NHS Orkney.

NHS Highland eHealth and CRH have initiated several parallel ongoing implementations.

### Digital Dictation

This project is now complete with consultants having the ability to digitally dictate letters. The dictation is automatically routed to the secretary who uses an automated process to produce the letter. Once the letter is verified it is electronically sent to the relevant general practice via the Electronic Document Transfer system and a copy is also copied to the SCI Store.

# Highland Health Board

**Collaboration/ Partnership Working**
It should be clear from what has been provided in our summary for 2012/13 that Partnership working is embedded in the way we work.

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

**Police Custody Health care services and Forensic services**
In December (19th) NHS Highland took over responsibility for the provision of Police Custody Health care services and Forensic services on behalf of the Northern Constabulary.

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

**Highland Strategic Commissioning Group**
Progress towards establishing strategic commissioning to plan adult health and social care services is under way. Key to success is making sure service users, carers, advocacy groups, service providers alongside managers are all actively involved. NHS Highland is one service provider but there are many others including charities, the voluntary sector and the private sector. It is the process of bringing everyone together that provides the best chance of identifying and meeting needs and improving outcomes.

**Alzheimer Scotland: Guide for Families Living with Dementia in Highland**
We supported the development of location specific guides alongside Highland Council and Argyll & Bute Council.

**DALLAS (Delivering Assisted Lifestyles at Scale)**
Highlands was chosen as one of five pilot areas in Scotland to take part in a research and development programme. The initiative, which is investing up to £10m will involve 10,000 people, will involves finding innovative solutions to support people with long term conditions in their own home. It is being taken forward in partnership with Highland Council and Argyll & Bute Council.

**Sudden Athletic Cardiac Death**
NHS Highland developed a partnership between the governing body of Shinty – the Camanachd Association along with Lucky2Bhere - a Skye based charity involved in public access defibrillator placement, and Heartstart, a regional branch of a British Heart Foundation. Through this network CPR training and placement of defibrillators at the heart of rural communities has been established.

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

**Innovation Programme**
Highland businesses were invited to participate in a series of events to find out about the possibilities of developing products and ideas with NHS Highland and Inverness College UHI. The Programme is running from May 2012 until November 2013.

**Doctors at Work Programme**
S6 pupils from schools across Highland were successful in applying for NHS Highland's 'doctors at work programme', a new initiative for Highland run and developed through a collaboration involving NHS Highland, The Highland Council and University of Aberdeen. All schools were invited to take part but acceptance onto the programme was through a competitive process.

During the week long programme pupils got attachments to senior consultants providing the chance to see things first hand with 72 clinical sessions on offer. They also got advice on the medical school application process and how to write a personal statement. It will be repeated in 2013/14.

## TRAINING AND EDUCATION

**Improvement Methodology**
A programme of coaching, training and experiential learning was developed and implemented during the year to build internal capacity and capability in Quality Improvement, to support the Highland Quality Approach. The training ranges from basic LEAN awareness (for all staff) to Accredited Advanced LEAN Training.

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

**Quality of Administrative Services**
34 administration staff from five hospital sites across Argyll and Bute completed their Certificate of Technical Competence. This an externally validated qualification which was supported by two local trainers.

**Medicines Administration**
Development of a training package on Medicines Administration hosted on Learn-Pro which requires all nurses involved in administering medicines to patients to demonstrate their knowledge. This results in improved patient safety whilst avoiding the need to take nurses out of the clinical environment for more traditional training delivery.

**Inter-Professional Training**
Pharmacist led training sessions with doctors received top feedback scores and patient care is expected to be enhanced by the greater mutual understanding that undergraduates of the two professions develop and the on-going inter-professional collaboration this will engender.

The innovative inter-professional training sessions were developed in association with the Robert Gordon University School of Pharmacy and the Aberdeen University Medical School.

**On-line Training Programme**
Staff in the Critical Care Unit have developed an interactive, accredited on-line training programme that raises awareness of ECG recognition and subsequent stroke risk assessment in Atrial Fibrillation. It was developed to provide flexible mass education to healthcare practitioners.

To date over 7000 healthcare staff have completed the course and final assessment to acquire a CPD certificate. The course was awarded first prize at the prestigious Thrombus 2012 Innovation Awards in London - and was the only entry from Scotland to be short listed.

**Driving in Adverse Conditions**
Building on very successful theory sessions last year, around 120 staff have now benefited from one to one driving sessions.

## ACHIEVEMENTS, AWARDS AND EVENTS

**Hospital Patient Experience Results Published**
A Report published in August 2012, highlighted that NHS Highland was one of only three boards showing improvement in the Better Together Scottish Patient Experience survey.

**NHS Highland Win Top National Award**
NHS Highland's Clinical Advisory Group won a top Award for their work on Growing Quality from the Roots Up. The Group provides expert advice to senior managers on the clinical and cost effectiveness of drugs and treatment.

NHS Highland also received two of the ten highly commended posters: (i) improving assessment for the risk of Venous Thromboembolism (VTE) for patients who are admitted to hospital and (ii) work to improve prescribing of antimicrobial antibiotics in the surgical division in Raigmore Hospital.

**Learning from the Best**
Meanwhile an Occupational Therapist based at New Craigs Hospital secured a £6,000 Churchill Fellowship to study at the world-renowned Early Psychosis Prevention and Intervention Centre (EPPIC) in Melbourne.

**NHS Highland Short-Listed for a UK-Wide Management Award**
Staff involved to help people quit smoking were short-listed for the Management Team of the Year Award in the National Management & Leadership Awards.

**Scotland's First ever Dementia Awards**
The first ever Scotland's Dementia Awards took place in September. From the original 120+ applications for six main awards, the Argyll & Bute Dementia Team won the award for most innovative partnership. The Team was made up of Argyll and Bute Council, Alzheimer Scotland and NHS Highland.

**Cardiology Team Win UK Thrombus Innovation Award**
An interactive e-learning programme on Atrial Fibrillation developed by NHS Highland Cardiology staff won last year's UK Thrombus Innovation Awards.

**Action for Sick Children**
A NHS Highland nurse was awarded the Action for Sick Children Norah Rees Award 2012. The Award was for her Masters dissertation 'Identifying and managing the emotional support needs of community nurses delivering paediatric palliative care in the Highlands'.

**NHS Highland Officially Baby Friendly**
NHS Highland maternity staff received the United Nation's Children's Fund (UNICEF) prestigious Baby Friendly Award. NHS Highland is one of only two Boards to receive the Award.

# Highland Health Board

**Highland Pharmacists Fly High**
At the Scottish Pharmacy Awards, NHS Highland Director of Pharmacy, was presented with the life-time achievement award. The Pharmacy Team picked up several other awards during the year.

**Developing Quality through Midwifery Leadership**
A community midwife with NHS Highland won a national award for her role in establishing a new service for pregnant woman.

**Local GPs Win Awards**
A number of our GPs picked up National awards. These are presented to family doctors who demonstrate high standards, values and commitment to high quality general practice.

**Reducing Harm Improving Health Care**
Highland hosted the 5th National "*Reducing Harm Improving Health Care Conference*". Dr Aileen Keel (Deputy Chief Medical Officer), who opened the conference, stressed the importance of the Scottish Patient Safety Programme (SPSP), which is delivering year on year reductions in hospital mortality rates across Scotland.

**Solutions for Tough Times**
Representative from NHS Highland attended the international healthcare forum which was held in April 2012. Participants included our Cystic Fibrosis Clinical Nurse Specialist, who received a scholarship to attend and presented a poster on her research.

## COMMUNICATIONS

During the year we stepped up efforts to provide a more pro-active approach to promoting news through the local media and other outlets. During 2012/13, just under 300 media releases were issued by NHS Highland.

The Board supported the move to increase the use of social media as part of a wider strategy to improve communications and engagement. And Amendments to Gaelic Language Plan were approved.

An in-depth survey designed to give people an opportunity to shape services provided by NHS Highland was just one of the features of our 12-page newspaper. It was distributed to every household in the area covered by NHS Highland. It featured a wide range of articles including, the benefits of exercise, importance of power of attorney, oral health work in schools, organ donation, breastfeeding, dementia and emergency planning.

Other documents published during the year included Board Briefing Notes which are produced just before and after every Board meeting capturing key decisions and discussion points.

A review of the year (2012) was also produced and alongside this a Forward Look promoting some of the key priorities and plans for 2013/14.

All media releases, social media and key publications are available on our website.

## 2. Financial Performance and Position

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

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

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

| | | Limit as set by SGHD £'000 | Actual Outturn £'000 | Variance Under £'000 |
|---|---|---|---|---|
| | Revenue Resource Limit | | | |
| 1 | Core | 554,607 | 554,334 | 273 |
| | Non-core | 27,544 | 27,544 | 0 |
| | Capital Resource Limit | | | |
| 2 | Core | 13,109 | 13,109 | 0 |
| | Non-core | 242 | 242 | 0 |
| 3 | Cash Requirement | 605,000 | 604,546 | 454 |

| MEMORANDUM FOR IN YEAR OUTTURN | £'000 |
|---|---|
| Brought forward (surplus from previous financial year) | 84 |
| Surplus against In Year Revenue Resource Limit | 189 |

Bad debt provision of £399,000 this year (prior year £276,000) is based on all non-government debt outstanding greater than one year old except for RTA reclaims which have been provided for if more than four years old. This is based on historical patterns of recovery for these debts.

Family Health Services

In 2012, 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 2012 could potentially amount to £363,214.

# Highland Health Board

## Capital Expenditure

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

**Raigmore Hospital**
Upgrade works at Kyle Court accommodations
Various upgrade to site services within the Raigmore Hospital site
Replacement Biomass Boiler
Ion chamber
Cyclical replacement of Medical Equipment

**North & West**

Refurbishment of Lawson Community Hospital
Various structural refurbishments works at Caithness General Hospital
Upgrade works within Ross Memorial Hospital
Progression of Site works at proposed Tain Health Centre
Heating upgrade at Dunbar Hospital
Riverbank Practice – finance lease

**South & Mid**

Upgrade various works within Belford Hospital
Lift upgrade works at St Vincents Hospital

**A&B CHP**
Completion of Mull & Iona Progressive Care Centre
Completion of Oban Dental Access Centre
Upgrade various works within Cowal Community Hospital
Upgrade works at Bowmore Surgery within Islay Hospital
Provision of Washer Disinfector Equipment
Creation of Community Mental Health Facilities at Campbeltown and Dunoon

**Facilities**
Biomass Boilers for Community Hospitals
Solar Panels in various areas

**eHealth**
Various systems developments Board wide

## 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.

# Highland Health Board

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

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

**Sickness Absence Data**
Sickness Absence rate is 4.9% (prior year – 4.4%)

**Personal Data Related Incidents**
There are no personal data related incidents to disclose.

# Highland Health Board

## 3. Performance against Key Targets

### Local Delivery Plan 2012/13

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 2012/13 there were 19 performance measures covering 14 targets

- **H**ealth Improvement – 5 targets (6 performance measures) measuring improvements in life expectancy and healthy life expectancy
- **E**fficiency and Government Improvements – 2 targets (4 performance measures) measuring improvements in the efficiency and effectiveness of the NHS, covering financial, and service aspects.
- **A**ccess to Services – 2 targets (3 performance measures) recognising patients' need for quicker and easier use of NHS services
- **T**reatments appropriate to individuals –5 targets (6 performance measures) ensuring patients receive high quality services that meet their needs.

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

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

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

A copy of the "At A Glance" Balanced Scorecard for 2012/13 is attached for information as at the 31st March 2013. For some of the targets we are not able to report the year end position due to the availability of data.

### Adult Social Care Services

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

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 29th April 2013

### Targets with a delivery date by the end of March 2013

| Board Position | Target | Month reported | Raigmore | North & West | South & East | Argyll and Bute | Delivery Date |
|---|---|---|---|---|---|---|---|
| | Financial Performance | Feb-13 | | | | | Mar-13 |
| | Cash Efficencies | Feb-13 | | | | | Mar-13 |
| | | | | | | | |
| | Drug & Alcohol Treatment: Referral to Treatment | Dec-12 | N/A | N/A | N/A | N/A | Mar-13 |
| | Faster Access to Specialist CAMHS | Feb-13 | | | | | Mar-13 |
| | | | | | | | |
| | 90% of patients diagnosed with stroke admitted to a stroke unit | Mar-13 | Currently reported at Board Level Only | | | | Mar-13 |
| | Delayed Discharges - 28 days | Mar-13 | | | | | Mar-13 |
| | MRSA/MSSA Bacterium: 30% reduction | Dec-12 | Currently reported at Board Level only | | | | Mar-13 |
| | C. Diff Infections: 30% reduction | Dec-12 | Currently reported at Board Level only | | | | Mar-13 |
| | Reduction in Emergency bed days for patients aged 75+ | Nov-12 | N/A | | | | Mar-13 |

### Targets with a delivery date beyond March 2013

| Board Position | Target | Month reported | Raigmore | North & West | South & East | Argyll and Bute | Delivery Date |
|---|---|---|---|---|---|---|---|
| No Trajectory | Early Access to Antenatal Services | | Data sources being developed | | | | Mar-15 |
| No Trajectory | Detect Cancer Early | | Data sources being developed | | | | Apr-15 |
| | Child Healthy Weight Interventions | Dec-12 | N/A | N/A | N/A | | Mar-14 |
| | Smoking Cessation - 2 most deprived data zones | Dec-12 | N/A | Currently reported at Board Level Only | | | Mar-14 |
| | Smoking Cessation - general smoking population | Feb-13 | N/A | N/A | N/A | | Mar-14 |
| | Child Fluoride Varnish Applications | Jun-12 | N/A | Currently reported at Board Level Only | | | Mar-14 |
| | | | | | | | |
| | Reduce Carbon emmissions | Dec-12 | Currently reported at Board Level Only | | | | Mar-15 |
| | Reduce Energy Consumption | Dec-12 | Currently reported at Board Level Only | | | | Mar-15 |
| | | | | | | | |
| No Trajectory | Faster Access to Psychological Therapies | | Trajectory in development | | | | Dec-14 |
| | | | | | | | |
| | Rate of attendances at A&E | Jan-13 | | | N/A | | Mar-14 |

## NHS Highland - "At A Glance" Standards

| Board Position | Target | Month reported | Raigmore | North & West | South & East | Argyll and Bute | |
|---|---|---|---|---|---|---|---|
| | Alcohol \Brief Interventions | Mar-13 | N/A | | | | |
| | Inequalities Targeted Cardiovascular Health checks | Mar-13 | N/A | | | N/A | |
| | Breastfeeding at 6-8 week- Target 36% | Sep-12 | N/A | N/A | N/A | | |
| | MMR uptake rates - target 95% at 5 years old | Dec-12 | N/A | | | | |
| | | | | | | | |
| | Sickness Absence - 4% target | Jan-13 | | | | | N/S |
| | SMR return rate - 90% of SMR1 returns received within 6 weeks | Jan-13 | | | | | |
| | Complaints - 80% of complaints completed within 4 weeks | Nov-12 | | | | | |
| | Complaints - No. over 40 working days - Target 0 | Nov-12 | | | | | |
| | Complaints - No. of complaints received Target less than 33 | Nov-12 | | | | | |
| | Complaints - No. categorised as High Risk - Target less than 7 | Nov-12 | | | | | |
| | Day case rates - Target 78.9% | Feb-13 | | | N/A | | |
| | Outpatients - DNA rate - Target 6.9% | Jan-13 | | | | | |
| | Reduce Pre Operative stay - Target 0.65 days | Feb-13 | | | N/A | | |
| | New to Return Outpatient attendance Ratio - Target 2.02 | Nov-12 | | | | | |
| | eKSF & PDP's - Target 80% | Mar-13 | | | | | |
| | | | | | | | |
| | Suspicion of cancer referrals (62days) (Due for Delivery Dec 2010) | Dec-12 | Reported at Board Level only | | | | Dec-11 |
| | All Cancer Treatment (31days) (Due for Delivery Dec 2010) | Dec-12 | Reported at Board Level only | | | | Dec-11 |
| | 18 weeks Referral to Treatment (Due for Delivery Dec 2010) | Feb-13 | Currently reported at Board Level only | | | | Dec-11 |
| | New Outpatient Waiting times - 12 weeks (all referral sources) | Feb-13 | | | N/A | | N/S |
| | Inpatient/Day Cases Waiting times - 9 weeks | Dec-12 | | | N/A | | N/S |
| | Cataract Waiting Times - assessment - 9 weeks | Feb-13 | | | N/A | | |
| | Hip surgery - 98% of patients treated within 24 safe operating hrs | Mar-13 | | N/A | N/A | N/A | |
| | Angiography - 4 week waiting time | Dec-12 | | N/A | N/A | N/A | |
| | Daignostic tests waiting times - 4 weeks for 8 key tests | Dec-12 | | | N/A | | |
| | A&E Waiting times - 4 hours | Feb-13 | | | | | N/S |
| Annual | Advance Booking - GP's | | | | | | N/S |
| | | | | | | | |
| | Cervical Screening - 80% uptake of 20-60 yr old women screened | Dec-12 | N/A | | | | |
| | Reduce Occupied Bed days for long term conditions | Dec-12 | N/A | | | | |
| | Dementia (**Unvalidated** - validated position available annually) | Mar-13 | N/A | | | | N/S |

N/S : National Standard

# Highland Health Board

## SUSTAINABILITY AND ENVIRONMENTAL REPORT 2012-2013

### Overview – Carbon & Energy

NHS Highland's efforts over recent years have resulted in being the highest placed Scottish Health Board in the Carbon Reduction Commitment (CRC) League table for 2011/12. As such the first key milestone towards the intention to be a leader in Carbon reduction and energy efficiency in the Public Sector has been met. The next intention is to be amongst comparable sector leaders for the whole of the UK.

Due to the changes in construction of penalising emissions, i.e. the removal of Liquid Fuels, it is highly likely that this position within the top 14% of the UK's highest emitters will actually improve in next year's league table.

The strong position is furtherance to the efforts made pre-CRC in being the overall best improving Health Board for the Phase I HEAT targets. Over the second half of 2012/13 and into 2013/14 NHSH will spend over £7m from Scottish Government schemes. These projects were identified from the Carbon Management Plan (CMP).

Key Projects in 2012/13 and next year are improving the Lighting within Raigmore Hospital along with conversion to Gas and Biomass Boilers for the site. In addition, 9 other sites with smaller Biomass boiler replacements will make up the majority of the intended spend and Carbon savings. The success of the early 2 hospital Solar PV systems will be expanded. Where possible and allowed some of the largest Solar installations in Scotland are the intention of NHSH.

It is hoped that the efforts made over the last couple of years can largely be delivered by end March 2014. The work done this year will allow projects of sufficient size to deliver almost the full intentions of the 5 year CMP. This in turn will ensure that the Phase II HEAT Targets will be met more than twice over and one year early.

So far this improvement has only been seen through the Estate and Energy. As Transport is of comparable Carbon footprint, and there is overlap with Procurement, it is hoped that the efforts of Good Corporate Citizen Framework will widen the efforts in the future.

### Costs, Consumption and Carbon Emissions

Overall the CRC return for the year is significantly reduced due to the removal of Liquid Fuels (E.g. Oil, Kerosene, LPG). This removes over 11,000 tonnes of emissions from the CRC return and will save £135,900. As the largest user of Oil in NHS Scotland this will mean we are paying one of the lowest set of charges for our Carbon emissions AND should ratify our position as the lead Board in next year's league table.

What this masks however is that the cold winter has increased our demand for Electricity and Gas – as well as liquid fuels. Within the CRC return our Electricity and Gas combined has increased emissions by 5.8%. It is proposed that this rise is well within the expected parameters for a cold winter and will be moderate relative to some other Health Boards for this year.

Total Carbon Emissions are calculated at this time of year (i.e. before all fuel bills are received) on hospital consumptions only and then adjusted on the ratio of 85:15 to include the smaller sites.

# Highland Health Board

| | |
|---|---|
| Total Electricity = | 13,129 tCO2e |
| Total Nat. Gas = | 2,159 tCO2e |
| Total (Adj) Liquid Fuels = | 14,771 tCO2e |
| Total Hospital Emissions (2012/13) = | 30,059 tCO2e |

This represents an increase of 5.3% in emissions from last year. This is very much expected because of the coldest winter seen in recent years and where investment had not been maintained for further measures in reducing emissions/ raise efficiency. It also follows that the emissions increases are broadly in line with the increases in the different fuels and Power demands over the year.

**Way Forward**

With annual consumptions of 28.8 million kWhs for Electricity and 14.7 million kWhs for Gas, we are making continued solid progress in reducing our impact on the environment. The projects ongoing will not be fully represented in the 2013/14 report but should start to see a fall in emissions regardless of the winter. By 2014/15 the full year effect of these efforts will be noticed and it is proposed that over 90% of the Carbon emissions reductions set out within the Carbon Management Plan will be met – two years ahead of schedule. This should further reinforce NHS Highland as being a leader within the Carbon and Environmental arena.

With much of the early intentions well on course the future direction will need some consideration relative to the Carbon Management Plan. As with Heat there is a certain base load for Electricity needs regardless of occupancy rates within our buildings. Thus we can find efficiencies and gain some reduction BUT this is limited. The question remains can we find a Carbon neutral source of Electrical Power of sufficient size in order to reduce our emissions to the same levels as for Heating?

Water, Waste and Transport will also start to provide a fuller picture in future years reports. It is hoped that similarly strong Plans of Action can be developed for these in the same way as there is at present for the Estates and Energy.

Staff engagement has been the single largest difficulty for most organisations – yet they have arguably the largest potential for making change happen in relation to wastage of Energy, Water and recycling opportunities. The new "Green Matters" web page that will form part of the NHS Highland web page will attempt to rectify this – whilst promoting our efforts across the internet.

## REMUNERATION REPORT

Board Members and Senior Employee Remuneration is subject to ministerial direction and the arrangements for payment are covered by Health Department instruction (currently PCS (ESM) 2012 – 1).

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

Garry Coutts, Chair
Bill Brackenridge, Non Executive Director
Michael Evans, Non Executive Director
Ian Gibson, Non Executive Director (Vice Chair until 4 June 2012)
Gillian McCreath, Non Executive Director
Okain McLennan, Non Executive Director
Colin Punler, Non Executive Director
Ray Stewart, Employee Director

Performance Related Pay has been processed in the year end for 2012/2013.

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

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

| | Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000) | Performance related bonus (Bands of £5,000) | Real increase in pension at pensionable age (Bands of £2,500) | Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000 | Cash Equivalent Transfer Value (CETV) 2012 (prior year) (nearest £,000) | Cash Equivalent Transfer Value (CETV) 2013 current year (nearest £'000) | Real increase in CETV in year | Benefits in kind (rounded to nearest £100) |
|---|---|---|---|---|---|---|---|---|
| **Remuneration of Executive Members** | | | | | | | | |
| Chief Executive: E Mead | 125-130 | 0-0 | 0-2,500 | 10-15 plus 30-35 lump sum | 188 | 220 | 9 | 2.1 |
| Director of Finance: N Kenton | 95-100 | 0-0 | 0-2,500 | 25-30 plus 80-85 lump sum | **408 | 436 | (3) | 4.0 |
| Director of Public Health: M Somerville | 130-135 | 0-0 | 0-2,500 | 0-5 plus 10-15 lump sum | 72 | 109 | 19 | 0.0 |
| Medical Director: I Bashford | 170-175 | 0-0 | 0-2,500 | 5-10 plus 25-30 lump sum | 183 | 234 | 29 | 0.0 |
| Nursing Director: H May | 90-95 | 0-0 | 0-2,500 | 5-10 plus 20-25 lump sum | 111 | 131 | 6 | 0.4 |
| Director of Human Resources: A Gent | 100-105 | 0-0 | 0-2,500 | 35-40 plus 105-110 lump sum | 707 | 749 | (7) | 1.8 |
| **Non Executive Members** | | | | | | | | |
| The Chair: G Coutts | 25-30 | 0-0 | 0 | 0 | 0 | 0 | 0 | 2.2 |
| R Stewart | *45-50 | 0-0 | 0-2,500 | 5-10 plus 25-30 lump sum | 151 | 163 | 1 | 0 |
| I Gibson | 10-15 | 0-0 | 0 | 0 | 0 | 0 | 0 | 3.5 |
| D Alston | Remuneration waived | | 0 | 0 | 0 | 0 | 0 | 0 |
| V Shelley | 0-5 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0.2 |
| W Brackenridge | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 1.2 |
| O McLennan | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0.8 |
| G McCreath | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C Punler | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 2.5 |
| E Robertson | 0-5 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0.5 |
| M Davidson | 0-5 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| S Wedgwood | 10-15 | 0-0 | 0 | 0 | 0 | 0 | 0 | 4.8 |
| M N Evans | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R Creelman | 10-15 | 0-0 | 0 | 0 | 0 | 0 | 0 | 2.7 |
| I Kennedy | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| M Duncan | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 2.9 |
| M Foxley | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 1.5 |
| J McAlpine | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 1.7 |
| A Lawton | 5-10 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000) | Performance related bonus (Bands of £5,000) | Real increase in pension at pensionable age (Bands of £2,500) | Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000 | Cash Equivalent Transfer Value (CETV) prior year(nearest £'000) | Cash Equivalent Transfer Value (CETV) current year(nearest £'000) | Real increase in CETV in year | Benefits in kind (rounded to nearest £100) |
|---|---|---|---|---|---|---|---|---|
| **Other Snr Employees** | | | | | | | | |
| J M Baird | 75-80 | 0-0 | 0-2,500 | 5-10 plus 25-30 lump sum | 195 | 219 | 6 | 0.7 |
| M Brown | 70-75 | 0-0 | 0-2,500 | 10-15 plus 35-40 lump sum | 208 | 229 | 3 | 0.0 |
| L Kirkland | 65-70 | 0-0 | 0-2,500 | 10-15 plus 40-45 lump sum | 260 | 280 | 1 | 0.0 |
| K Oliver | 50-55 | 0-0 | 0-2,500 | 10-15 plus 40-45 lump sum | 183 | 206 | 9 | 1.5 |
| M Thompson | 45-50 | 0-0 | 0-2,500 | 5-10 plus 15-20 lump sum | 77 | 94 | 9 | 0.0 |
| L Vannan to 31/01/13 | 60-65 | 0-0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| D Jones from 02/07/12 | 85-90 | 0-0 | 0-2,500 | 0-5 plus 0-5 lump sum | 0 | 13 | 4 | 0.0 |
| **Total** | | | | | **2743** | **3083** | **86** | **35.0** |

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

** CETV for N Kenton has been recalculated for prior year to take account of salary at April 2012

**PRIOR YEAR (Audited Information)**

**Remuneration of:**

| **Executive Members** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Chief Executive: E Mead | 125 -130 | 0 - 0 | 0 – 2,500 | 10 – 15 plus 30 - 35 lump sum | 143 | 188 | 45 | 3.0 |
| Director of Public Health: M Somerville | 130 -135 | 0 – 0 | 0 – 2,500 | 0 – 5 plus 05 – 10 lump sum | 35 | 72 | 37 | 0 |
| Director of Finance: M Iredale to 30/09/11 | 50 - 55 | 0 – 0 | 0 – 2,500 | 0 | 860 | 0 | 0 | 0.5 |
| Interim Director of Finance: D Garden from 01/10/11 to 31/12/11 | 20 - 25 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0.1 |
| Director of Finance: N Kenton from 05/01/12 | 20 - 25 | 0 – 0 | 5,000 – 7,500 | 5 – 10 plus 15 – 20 lump sum | 0 | 98 | 98 | 0 |
| Medical Director: I Bashford | 180 -185 | 0 – 0 | 0 – 2,500 | 5 – 10 plus 20 – 25 lump sum | 120 | 183 | 63 | 0 |
| Nursing Director: H May | 90 - 95 | 0 – 0 | 0 – 2,500 | 5 – 10 plus 20 – 25 lump sum | 82 | 111 | 29 | 0 |
| Director of Human Resources: A Gent | 100 -105 | 0 - 0 | 0 – 2,500 | 35 - 40 plus 105 – 110 lump sum | 639 | 706 | 67 | 3.0 |

# Highland Health Board

**PRIOR YEAR (Audited Information)**

| | Remuneration (Gross Pay + Er's Superannuation (Bands of £5,000) | Performance related bonus (Bands of £5,000) | Real increase in pension at pensionable age (Bands of £2,500) | Total accrued pension at 31 March and related lump sum at pensionable age in bands of £5,000 | Cash Equivalent Transfer Value (CETV) prior year (nearest £'000) | Cash Equivalent Transfer Value (CETV) current year (nearest £'000) | Real increase in CETV in year | Benefits in kind (rounded to nearest £100) |
|---|---|---|---|---|---|---|---|---|
| **Non Executive Members** | | | | | | | | |
| The Chair: G Coutts | 25 – 30 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 2.5 |
| R Stewart | *45 – 50 | 0 – 0 | 0 – 2,500 | 5 – 10 plus 25 – 30 lump sum | 127 | 151 | 24 | 0 |
| I Gibson | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 3.8 |
| P Courcha (retired 31/03/12) | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0.6 |
| V Shelley | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0.7 |
| Q Cox (until 03/09/11) | 0 – 05 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| W Brackenridge | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 2.5 |
| O McLennan | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 1.0 |
| G McCreath | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C Punler | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 1.2 |
| E Robertson | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 1.0 |
| M Davidson | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| S Wedgwood | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 2.3 |
| M N Evans | 10 – 15 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R Creelman (appointed 01/04/11) | 05 – 10 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 2.6 |
| I Kennedy (appointed 01/10/11) | 0 - 05 | 0 – 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other Snr Employees** | | | | | | | | |
| J M Baird | 75 - 80 | 0 – 0 | 0 – 2,500 | 5 – 10 plus 25 – 30 lump sum | 167 | 195 | 28 | 0.1 |
| M Brown | 70 -75 | 0 – 0 | 0 – 2,500 | 10 15 plus 30 – 35 lump sum | 174 | 208 | 34 | 0 |
| L Kirkland | 65 - 70 | 0 – 0 | 0 – 2,500 | 10 -15 plus 40 -45 lump sum | 222 | 260 | 38 | 0 |
| K Oliver | 50 - 55 | 0 – 0 | 0 – 2,500 | 10 -15 plus 35 -40 lump sum | 139 | 183 | 44 | 1.8 |
| W T Reid | 75 - 80 | 0 – 0 | 0 – 2,500 | 25 – 30 plus 75 – 80 lump sum | 462 | 511 | 49 | 0 |
| M Thompson | 45 - 50 | 0 – 0 | 0 – 2,500 | 0 – 5 plus 10 -15 lump sum | 54 | 77 | 23 | 0 |
| L Vannan | 70 - 75 | 0 – 0 | 0 – 2,500 | 15 -20 plus 55 – 60 lump sum | 305 | 350 | 45 | 0 |
| **Total** | | | | | **3,529** | **3,293** | **624** | **26.7** |

# Highland Health Board

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

| **2012-13** | | **2011-12** | |
|---|---|---|---|
| Highest Earning Director's Total Remuneration (£000s) | 135-140 | Highest Earning Director's Total Remuneration (£000s) | 160 – 165 |
| Median Total Remuneration | 23,301 | Median Total Remuneration | 23,895 |
| Ratio | 5.95 | Ratio | 6.80 |

**Commentary**

Movement in the year relates to the delay by Scottish Government in agreeing the highest earning Director's (Medical Director) Remuneration in 2011/12, back dated award related to three years. Revised guidance for 2012/13 determined that back pay is excluded. The main remuneration report includes employer's superannuation whereas it is excluded when calculating the median data and the highest earning Director's total remuneration.

By order of the Board

27 JUNE 2013 Elaine Mead Chief Executive

## HIGHLAND HEALTH BOARD

## ANNUAL ACCOUNTS 2012/13

### STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE HEALTH BOARD

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of Highland Health Board.

This designation carries with it, responsibility for:

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

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

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

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

Signed ..... Elaine Meard .....

Chief Executive

Date ..... 27 JUNE 2013 .....

## HIGHLAND HEALTH BOARD

## ANNUAL ACCOUNTS 2012/13

### 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 2013 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 27 JUNE 2013

# Highland Health Board

## GOVERNANCE STATEMENT

### Scope of Responsibility

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

### Purpose of Internal Control

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

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

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

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

### Governance Framework

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

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

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

In addition to the Improvement Committee, there are a number of other Governance Committees who support me in the discharge of my responsibilities. Each of these Committees has a clear role and remit which is set out in NHS Highland's Scheme of Delegation. Each Governance Committee is chaired by a Non-Executive Director of the Board and has at least 2 Non-Executive Director members. With only a few exceptions all Board Meetings and Governance Committee meetings are public meetings. The Board papers and agendas are published on our website. A summary of the key points discussed at the Board meeting is included as part of a wider briefing paper that is circulated across a wide range of community groups across the area, including local councillors and local members of the Scottish Parliament (MSPs). 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. The Board also holds regular development sessions with its members.

The Board promotes good governance throughout its joint working with a wide range of organisations, Local Authority, 3rd Sector and other organisations both within and external to the NHS. This is particularly relevant with the integration of adult social care within NHS Highland from Highland Council and elements of children's services from NHS Highland to Highland Council.

NHS Highland has complied with the UK Corporate Governance Code where relevant and applicable to a public sector body.

**Review of Adequacy and Effectiveness**

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

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

The Audit Committee meets regularly throughout the year with the specific remit to review and give assurances on the system of internal control. The Committee agrees the internal audit plan, considers the internal audit reports, reviews recommendations and ensures actions are undertaken that result from these reports. External auditors review the internal audit service and report on its adequacy to the Committee including reliance on their work to inform their year-end audit report to the Board. The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year. This includes the Integration of Health & Social Care within the Highlands. The Committee has reviewed updates to the Risk register and amendments to the Internal Audit plans to take account of risks with the implementation and those inherited risks transferred.

**Best Value**

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. In the last year, internal Audit worked in collaboration with management to develop a best value assurance framework, to map the organisation's activities and sources of assurance against the Scottish Government's best value themes. Management will update this on a continuous basis. I can confirm that in 2012/13 arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SPFM).

**Risk Assessment**

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

The key elements of the risk management strategy are:-

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

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

During 2012/13, the approach to risk throughout the Board was considered to be inadequate by Internal Audit in their report which was considered by the Audit committee in March 2013. Specific findings included incomplete Risk Management Strategy, limited risk management processes being implemented, minimal training, risk registers not being updated and risks not being linked to business objectives were the key findings.

An Action Plan to remedy this has been agreed with Internal Audit.

At the Risk Management Steering Group meeting in December 2012 these points were considered and a short-life working group was established (chaired by the Deputy chair of the Board) to progress the action plans in answer to the issues raised. These include:-

a. formally agreeing responsibilities
b. establish training needs
c. determine if Strategic Clinical risk register is required

The Senior Management team will take the lead in:

a. developing the Operational Unit Risk Registers and the corporate Risk register
b. reviewing the registers regularly and report to the board bi-annually
c. ensuring the registers link to the business objectives of the units
d. identifying the risk leader in each area

**Disclosures**

Records Management

The Public Records (Scotland) Act 2011 came into force on 1st January 2013. It is the first new public records legislation for more than 70 years and makes provision to ensure that proper arrangements for the management of public records created or held by public authorities and records created or held by contractors who carry out any functions of the public authority. All NHS boards are covered by the Act. The first part of the Act requires NHS Highland to prepare a records management plan setting out our arrangements for the management of our records and submit the plan to the Keeper (National Records of Scotland Office) for agreement

# Highland Health Board

NHS Highland will be working on our plan with the aim of submitting to NHS Highland Board in October 2013. The plan will be reviewed on an annual basis. The plan will include all items identified in the Management Action Plan in the response to the Internal Audit report of November 2012 which was submitted to the Audit Committee in March 2013.

Financial Management at Raigmore Hospital

An internal audit report was requested to review the financial management at the Raigmore Hospital Operational Unit. Historical unachieved savings have been covered by centrally held resources, yet projections for 2012/13 indicated significant shortfalls against budgets. The findings indicated that:

- budgets were not signed off by budget managers before the start of the year
- delivery of Cash Releasing Savings and Efficiency Targets were not being achieved
- any savings being delivered were opportunistic rather than planned
- clinicians are not engaged in the process of identifying and delivering savings

An Action Plan provided by management was accepted by the Audit Committee and this included:

- review of budgets for 2013/14 formal sign off procedures to be followed for 2014/15 budget setting
- improved forecasting at Senior Management level and escalation process for overspending areas to be implemented
- closer monitoring of savings plans at Senior Management level
- service delivery plans to be developed as part of the 5 Year Financial Plan and Workforce Plan

These Action Plans are being undertaken by the Senior Management Team. This will raise financial awareness and improve the robustness of the financial governance arrangements. A follow up to this report will be reported back to the Audit Committee by October 2013.

Waiting Times

The management of waiting times has come under national scrutiny following the publication of a report on waiting times in NHS Lothian. The main findings of the report include observations of:

- Excessive and inappropriate use of patient unavailability;
- Manual adjustments to those patients who were breaching waiting times before reporting to more senior management levels;
- A practice of "don't minute or record", which prevented full details of waiting times issues progressing up the operational framework where a more strategic and collective approach could have been taken; and
- An encouragement to local operational staff to resolve issues through adjustments of waiting times figures rather than actually resolving delays.

As a result of these observations the Cabinet Secretary for Health and Well-being requested all relevant NHS Boards to commission an internal audit review of local waiting times arrangements.

# Highland Health Board

After review of progress in NHS Highland against the waiting times internal audit recommendations of December 2012, NHS Highland is satisfied that actions have been delivered against all recommendations made.

The Audit Scotland report on managing Patient Waiting Lists has been considered by management and was formally discussed at the March 2013 Audit Committee. An NHS Highland checklist was circulated to advise members of the local steps taken to address the issues arising. Since the March 2013 Audit Committee meeting, management have further developed the actions required, with a paper presented to the April 2013 Board. Senior managers are forming a working group, to be charged with delivering and monitoring this action plan.

The planned changes by NHS Highland in response to the recommendations of the Internal Audit report and the Audit Scotland report should provide the following key improvements for patients:

- Compliance with the Patient Rights Act once the new Patient Management System (PMS) is implemented later this year.
- The implementation of PMS will also enable us to capture and analyse patient unavailability more consistently and robustly across all specialties and will help us target those specialties where this has historically been challenging.
- Continued improvement in our dealing with patients with additional support needs will happen during 2013. This aims to ensure that these patients' needs are addressed from initial referral, through the booking process, to eventual attendance at hospital, encouraging them to access the services they require and improving their experience when they do so.

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: 27 June 2013

Chief Executive

# Highland Health Board

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

I have audited the financial statements of Highland Health Board for the year ended 31 March 2013 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn Statement, the Balance Sheet, the Statements of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 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, where caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the directors' report and accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

# Highland Health Board

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

### Opinion on regularity

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

### Opinion on other prescribed matters

In my opinion:

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

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

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

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

I have nothing to report in respect of these matters.

Stephen O'Hagan
Assistant Director of Audit (Audit Services)
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

27 June 2013

# Highland Health Board

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND RESOURCE OUTTURN STATEMENT for the year ended 31 March 2013

| 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|
| | **Clinical Services Costs** | | |
| 476,219 | Hospital and Community | 4 | 599,156 |
| 32,136 | Less: Hospital and Community Income | 8 | 133,921 |
| 444,083 | | | 465,235 |
| 158,390 | Family Health | 5 | 157,646 |
| 3,129 | Less: Family Health Income | 8 | 3,594 |
| 155,261 | | | 154,052 |
| **599,344** | **Total Clinical Services Costs** | | **619,287** |
| 4,980 | Administration Costs | 6 | 5,445 |
| 115 | Less: Administration Income | 8 | 13 |
| 4,865 | | | 5,432 |
| 12,884 | Other Non Clinical Services | 7 | 12,780 |
| 11,102 | Less: Other Operating Income | 8 | 16,248 |
| 1,782 | | | (3,468) |
| **605,991** | **Net Operating Costs** | SOCTE | **621,251** |
| | **OTHER COMPREHENSIVE NET EXPENDITURE** | | |
| (7,845) | Net (gain)/loss on revaluation of Property Plant and Equipment | | 571 |
| **598,146** | **Total Comprehensive Expenditure** | | **621,822** |

# Highland Health Board

| SUMMARY OF CORE REVENUE RESOURCE OUTTURN<br>for the year ended 31 March 2013 | £'000 |
|---|---|
| **Net Operating Costs** | **621,251** |
| Total Non Core Expenditure (see below) | (27,544) |
| FHS Non Discretionary Allocation | (39,477) |
| Donated Asset Income | 104 |
| **Total Core Expenditure** | **554,334** |
| Core Revenue Resource Limit | 554,607 |
| **Saving against Core Revenue Resource Limit** | **273** |

| SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN | |
|---|---|
| Capital Grants to / (from) Other Bodies | 1,000 |
| Depreciation/Amortisation | 13,946 |
| Annually Managed Expenditure – Pension Valuation | 1,287 |
| Annually Managed Expenditure - Impairments | 1,468 |
| Annually Managed Expenditure – Creation of Provisions | 2,115 |
| Annually Managed Expenditure – Depreciation of Donated Assets | 165 |
| IFRS PFI Expenditure | 7,563 |
| **Total Non Core Expenditure** | **27,544** |
| Non Core Revenue Resource Limit | 27,544 |
| **Saving against Non Core Revenue Resource Limit** | **0** |

| SUMMARY RESOURCE OUTTURN | Resource | Expenditure | Saving/(Excess) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Core | 554,607 | 554,334 | 273 |
| Non Core | 27,544 | 27,544 | 0 |
| **Total** | **582,151** | **581,878** | **273** |

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts.

# Highland Health Board

**BALANCE SHEET as at 31 March 2013**

| 2011 £'000 | 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|---|
| | | **Non-current assets:** | | |
| 310,147 | 315,432 | Property, plant and equipment | 11 | 311,438 |
| 2,460 | 1,805 | Intangible assets | 10 | 1,181 |
| | | Financial assets: | | |
| | 0 | Available for sale financial assets | 14 | 127 |
| 13,308 | 13,080 | Trade and other receivables | 13 | 8,130 |
| **325,915** | **330,317** | **Total non-current assets** | | **320,876** |
| | | **Current Assets:** | | |
| 5,090 | 5,279 | Inventories | 12 | 5,604 |
| | | Financial assets: | | |
| 13,535 | 13,987 | Trade and other receivables | 13 | 28,054 |
| 107 | 87 | Cash and cash equivalents | 15 | 110 |
| 145 | 120 | Assets classified as held for sale | 11c | 273 |
| **18,877** | **19,473** | **Total current assets** | | **34,041** |
| **344,792** | **349,790** | **Total assets** | | **354,917** |
| | | **Current liabilities** | | |
| (3,124) | (1,966) | Provisions | 17 | (10,193) |
| | | Financial liabilities: | | |
| (53,247) | (49,621) | Trade and other payables | 16 | (67,568) |
| **(56,371)** | **(51,587)** | **Total current liabilities** | | **(77,761)** |
| **288,421** | **298,203** | **Non-current assets plus/less net current assets/liabilities** | | **277,156** |
| | | **Non-current liabilities** | | |
| (8,347) | (9,993) | Provisions | 17 | (6,244) |
| | | Financial liabilities: | | |
| (38,125) | (37,064) | Trade and other payables | 16 | (36,534) |
| **(46,472)** | **(47,057)** | **Total non-current liabilities** | | **(42,778)** |
| **241,949** | **251,146** | **Total Assets less liabilities** | | **234,378** |
| | | **Taxpayers' Equity** | | |
| 153,288 | 154,647 | General fund | SOCTE | 140,748 |
| 88,661 | 96,499 | Revaluation reserve | SOCTE | 92,343 |
| 0 | 0 | Other Reserves | SOCTE | 1,287 |
| **241,949** | **251,146** | **Total taxpayers' equity** | | **234,378** |

Adopted by the Board on ...27 JUNE.....2013

.....Director of Finance

.....Elaine Mead.....Chief Executive

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts

# Highland Health Board

## STATEMENTS OF CASH FLOWS
## for the year ended 31 March 2013

| 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|
| | **Cash flows from operating activities** | | |
| (605,991) | Net operating cost | SOCNE | (621,251) |
| 15,846 | Adjustments for non-cash transactions | 3 | 17,756 |
| 3,267 | Add back: interest payable recognised in net operating cost | 3 | 3,296 |
| (223) | (Increase) in trade and other receivables | 18 | (9,137) |
| (189) | (Increase) in inventories | 18 | (325) |
| (3,524) | Increase in trade and other payables | 18 | 18,460 |
| 488 | Increase in provisions | 18 | 4,478 |
| **(590,326)** | **Net cash outflow from operating activities** | | **(586,723)** |
| | **Cash flows from investing activities** | | |
| (13,092) | Purchase of property, plant and equipment | | (14,020) |
| (49) | Purchase of intangible assets | | (6) |
| 0 | Investment Additions | 14 | (127) |
| 593 | Proceeds of disposal of property, plant and equipment | | 248 |
| 0 | Proceeds of disposal of intangible assets | | 5 |
| 0 | Interest received | | 0 |
| **(12,548)** | **Net cash outflow from investing activities** | | **(13,900)** |
| | **Cash flows from financing activities** | | |
| 607,351 | Funding | SOCTE | 604,416 |
| (127) | Movement in general fund working capital | SOCTE | 130 |
| 607,224 | Cash drawn down | | 604,546 |
| (1,210) | Capital element of payments in respect of finance leases and on-balance sheet PFI contracts | | (497) |
| (46) | Interest paid | 3 | (246) |
| (3,221) | Interest element of finance leases and on-balance sheet PFI/PPP contracts | 3 | (3,050) |
| **602,747** | **Net Financing** | | **600,753** |
| **(127)** | **Net Increase / (decrease) in cash and cash equivalents in the period** | | 130 |
| 107 | **Cash and cash equivalents at the beginning of the period** | | (20) |
| **(20)** | **Cash and cash equivalents at the end of the period** | | **110** |
| | **Reconciliation of net cash flow to movement in net debt/cash** | | |
| (127) | Increase / (decrease) in cash in year | | 130 |
| 107 | Net debt at 1 April | 15 | (20) |
| **(20)** | **Net (debt)/cash at 31 March** | 15 | **110** |

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts.

# Highland Health Board

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
**for the year ended 31 March 2013**

| | Note | General Fund | Revaluation Reserve | Other Reserve | Total Reserves |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2012** | | 154,647 | 96,499 | 0 | 251,146 |
| | | | | | |
| **Changes in taxpayers' equity for 2012/13** | | | | | |
| Net gain/(loss) on revaluation/indexation of property, plant and equipment | 11 | 0 | (571) | 0 | (571) |
| Impairment of property, plant and equipment | 11 | 0 | (2,124) | 0 | (2,124) |
| Revaluation & impairments taken to operating costs | 3 | 0 | 1,477 | 0 | 1,477 |
| Transfers between reserves | | 2,936 | (2,936) | 0 | 0 |
| Other non cash costs (movement in year ASC pension fund) | | 0 | (2) | 1,287 | 1,285 |
| Net operating cost for the year | | (621,251) | 0 | 0 | (621,251) |
| **Total recognised income and expense for 2012/13** | | (618,315) | (4,156) | 1,287 | (621,184) |
| | | | | | |
| **Funding:** | | | | | |
| Drawn down | | 604,546 | 0 | 0 | 604,546 |
| Movement in General Fund (Creditor) / Debtor | cfs | (130) | 0 | 0 | (130) |
| **Balance at 31 March 2013** | Bs | **140,748** | **92,343** | **1,287** | **234,378** |

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts.

# Highland Health Board

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

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

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts.

## HIGHLAND HEALTH BOARD
## ACCOUNTING POLICIES

**1. Authority**

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

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

(a) Standards, amendments and interpretations effective in 2012-13.

There are no new standards, amendments or interpretations effective for the first time in 2012-13.

(b) Standards, amendments and interpretation early adopted in 2012-13.

There are no new standards, amendments or interpretations early adopted in 2012-13.

**2. Basis of Consolidation**

As directed by the Scottish Ministers, the financial statements do not consolidate the Highland NHS Board Endowment Funds. Transactions between the Board and the Highland NHS Board Endowment Funds are disclosed as related party transactions, where appropriate, in note 29 to the financial statements.

**3. Prior Year Adjustments**

There are no prior year adjustments to disclose.

**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. They are assessed in the context of the maximum useful lives for building elements.

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

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

## 8. Intangible Assets

### 8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

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

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

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

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

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

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

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

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 |
|---|---|
| Software | 5 |
| Software Licences | 5 |

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

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell'

falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

**10. Donated Assets**

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

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

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

**12. Leasing**

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. 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. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

**16. Losses and Special Payments**

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

**17. Employee Benefits**

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee

Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency.

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

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 the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

## 19. Related Party Transactions

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

**20. Value Added Tax**

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

**21. PFI/HUB/NPD Schemes**

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

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

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

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

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

**22. Provisions**

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

**23. Contingencies**

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

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

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

**24. Corresponding Amounts**

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

**25. Financial Instruments**

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

Financial Liabilities

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

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

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

(b) Other financial liabilities

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

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

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

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

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

(b) Other financial liabilities

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

## 26. Segmental reporting

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

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

## 27. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the Government Banking Service is using Citi and Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

## 28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

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

## 29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.
However, they are disclosed in note 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 (NHSiS) 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 2013**

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

| 2012 £'000 | | Executive Board Members £'000 | Non Executive Members £'000 | Permanent Staff £'000 | Inward Secondees £'000 | Other Staff £'000 | Outward Secondees £'000 | Total 2013 £'000 |
|---|---|---|---|---|---|---|---|---|
| | **STAFF COSTS** | | | | | | | |
| 242,200 | Salaries and wages | 623 | 158 | 267,006 | 0 | 3,207 | (1,223) | 269,771 |
| 18,750 | Social security costs | 75 | 8 | 20,799 | 0 | 0 | (112) | 20,770 |
| 27,488 | NHS scheme employers' costs | 86 | 0 | 29,162 | 0 | 0 | (146) | 29,102 |
| 0 | Other employers' pension costs | 0 | 0 | 5,741 | 0 | 0 | 0 | 5,741 |
| 407 | Inward secondees | 0 | 0 | 0 | 200 | 0 | 0 | 200 |
| 3,669 | Agency staff | 0 | 0 | 0 | 0 | 5,275 | 0 | 5,275 |
| **292,514** | **TOTAL** | **784** | **166** | **322,708** | **200** | **8,482** | **(1,481)** | **330,859** |

| | | |
|---|---|---|
| 34 | Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: | 0 |

| ANNUAL MEAN | STAFF NUMBERS | ANNUAL MEAN |
|---|---|---|
| 83.5 | Administration Costs | 82.2 |
| 7,087.6 | Hospital and Community Services | 8,046.8 |
| 76.3 | Non Clinical Services | 78.3 |
| 8.1 | Inward secondees | 4.1 |
| 32.1 | Agency staff | 52.7 |
| (31.5) | Outward Secondees | (23.9) |
| **7,256.1** | **Board Total Average Staff** | **8,240.2** |
| 165.0 | Disabled staff | 143.0 |

| | | |
|---|---|---|
| 0.8 | The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was: | 0 |

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in note 24

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 2. (b) HIGHER PAID EMPLOYEES REMUNERATION

| 2012 Number | | | | 2013 Number |
|---|---|---|---|---|
| | Other employees whose remuneration fell within the following ranges: | | | |
| | **Clinicians** | | | |
| 123 | £ 50,001 | to | £60,000 | 127 |
| 61 | £ 60,001 | to | £70,000 | 56 |
| 36 | £ 70,001 | to | £80,000 | 42 |
| 40 | £ 80,001 | to | £90,000 | 40 |
| 34 | £ 90,001 | to | £100,000 | 34 |
| 29 | £100,001 | to | £110,000 | 28 |
| 19 | £110,001 | to | £120,000 | 28 |
| 33 | £120,001 | to | £130,000 | 25 |
| 24 | £130,001 | to | £140,000 | 22 |
| 21 | £140,001 | to | £150,000 | 16 |
| 11 | £150,001 | to | £160,000 | 18 |
| 11 | £160,001 | to | £170,000 | 9 |
| 1 | £170,001 | to | £180,000 | 4 |
| 1 | £180,001 | to | £190,000 | 3 |
| 1 | £190,001 | to | £200,000 | 0 |
| 1 | £200,001 | and above | | 1 |
| | **Other** | | | |
| 30 | £ 50,001 | to | £60,000 | 33 |
| 15 | £ 60,001 | to | £70,000 | 16 |
| 7 | £ 70,001 | to | £80,000 | 6 |
| 3 | £ 80,001 | to | £90,000 | 7 |
| 1 | £ 90,001 | to | £100,000 | 1 |
| 0 | £100,001 | to | £110,000 | 0 |
| 1 | £110,001 | to | £120,000 | 1 |
| 0 | £120,001 | to | £130,000 | 0 |
| 0 | £130,001 | to | £140,000 | 0 |
| 0 | £140,001 | to | £150,000 | 0 |
| 0 | £150,001 | to | £160,000 | 0 |
| 0 | £160,001 | to | £170,000 | 0 |
| 0 | £170,001 | to | £180,000 | 0 |
| 0 | £180,001 | to | £190,000 | 0 |
| 0 | £190,001 | to | £200,000 | 0 |
| 0 | £200,001 | and above | | 0 |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 3. OTHER OPERATING COSTS

| 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|
| | **Expenditure Not Paid In Cash** | | |
| 14,582 | Depreciation | 11 | 14,306 |
| 704 | Amortisation | 10 | 625 |
| 210 | Depreciation Donated Assets | 11b | 165 |
| 876 | Impairments on property, plant and equipment charged to SOCNE | 11 | 1,475 |
| 0 | Loss on remeasurement of non current assets held for sale | 11c | 2 |
| (251) | Funding Of Donated Assets | 11b | (104) |
| (275) | Loss / (Profit) on disposal of property, plant and equipment | | 0 |
| 0 | Other non cash costs (movement in year in ASC pension fund) | | 1,287 |
| **15,846** | **Total Expenditure Not Paid In Cash** | CFS | **17,756** |
| | **Interest Payable** | | |
| 1 | Interest on late payment of commercial debt | | 0 |
| 2,862 | PFI Finance lease charges allocated in the year | 23 | 2,790 |
| 359 | Other Finance lease charges allocated in the year | | 260 |
| 45 | Provisions - Unwinding of discount | | 246 |
| **3,267** | **Total** | | **3,296** |
| | **Statutory Audit** | | |
| 241 | External auditor's remuneration and expenses | | 230 |

## 4. HOSPITAL AND COMMUNITY HEALTH SERVICES

| 2012 £'000 | BY PROVIDER | | 2013 £'000 |
|---|---|---|---|
| 385,127 | Treatment in Board area of NHSScotland Patients | | 398,521 |
| 63,578 | Other NHSScotland Bodies | | 65,188 |
| 828 | Health Bodies outside Scotland | | 874 |
| 6 | Primary care bodies | | 0 |
| 3,037 | Private sector | | 2,671 |
| | **Community Care** | | |
| 16,407 | Resource Transfer | | 16,498 |
| 0 | Health and Social Care | | 47,801 |
| 5,243 | Contributions to Voluntary Bodies and Charities | | 65,533 |
| **474,226** | **Total NHSScotland Patients** | | **597,086** |
| 1,993 | Treatment of UK residents based outside Scotland | | 2,070 |
| **476,219** | **Total Hospital & Community Health Service** | SOCNE | **599,156** |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 5. FAMILY HEALTH SERVICE EXPENDITURE

| 2012 £'000 | | Note | Unified Budget £'000 | Non Disc £'000 | 2013 TOTAL £'000 |
|---|---|---|---|---|---|
| 57,569 | Primary Medical Services | | 58,680 | - | 58,680 |
| 69,537 | Pharmaceutical Services | | 55,587 | 11,254 | 66,841 |
| 26,093 | General Dental Services | | 265 | 26,734 | 26,999 |
| 5,191 | General Ophthalmic Services | | 115 | 5,011 | 5,126 |
| **158,390** | **Total** | SOCNE | **114,647** | **42,999** | **157,646** |

## 6. ADMINISTRATION COSTS

| 2012 £'000 | | | 2013 £'000 |
|---|---|---|---|
| 978 | Board Members' remuneration | Note 2 (a) | 950 |
| 140 | Administration of Board Meetings and Committees | | 241 |
| 1,189 | Corporate Governance and Statutory Reporting | | 1,232 |
| 1,738 | Health Planning, Commissioning and Performance Reporting | | 2,028 |
| 515 | Treasury Management and Financial Planning | | 632 |
| 407 | Public Relations | | 350 |
| 13 | Other | | 12 |
| **4,980** | **Total administration costs** | SOCNE | **5,445** |

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 7. OTHER NON CLINICAL SERVICES

| 2012 £'000 | | | 2013 £'000 |
|---|---|---|---|
| 16 | Closed hospital charges | | 12 |
| 355 | Compensation payments - Clinical | | 1,206 |
| 83 | Compensation payments - Other | | 218 |
| 1,802 | Pension enhancement & redundancy | | 1,357 |
| 276 | Patients' Travel Attending Hospitals | | 166 |
| 2,703 | Patients' Travel Highlands and Islands scheme | | 2,839 |
| 1,559 | Health Promotion | | 1,645 |
| 3,089 | Public Health | | 3,217 |
| 113 | Public Health Medicine Trainees | | 71 |
| 344 | Post Graduate Medical Education | | 492 |
| 222 | Shared Services | | 268 |
| 150 | Loss on disposal of non-current assets | | 50 |
| 2,172 | Other | | 1,239 |
| **12,884** | **Total Other Non Clinical Services** | SOCNE | **12,780** |

# Highland Health Board

NOTES TO THE ACCOUNTS
**For the year ended 31 March 2013**

## 8. OPERATING INCOME

| 2012 £'000 | | | 2013 £'000 |
|---|---|---|---|
| | **HCH Income** | | |
| | **NHSScotland Bodies** | | |
| 22,594 | Boards | | 22,985 |
| 2,586 | NHS Non-Scottish Bodies | | 2,552 |
| | **Non NHS** | | |
| 396 | Private Patients | | 380 |
| 751 | Compensation Income | | 499 |
| 0 | SLA Integrated Services | | 86,901 |
| 0 | Social Care Income | | 15,809 |
| 5,809 | Other Hospital & Community Health Services income | | 4,795 |
| **32,136** | **Total HCH Income** | SOCNE | **133,921** |
| | **FHS Income** | | |
| 81 | Unified | | 72 |
| | **Non Discretionary** | | |
| 3,041 | General Dental Services | | 3,512 |
| 7 | General Ophthalmic Services | | 10 |
| **3,129** | **Total FHS Income** | SOCNE | **3,594** |
| **115** | **Administration Income** | SOCNE | **13** |
| | **Other Operating Income** | | |
| 2,297 | NHS Scotland Bodies | | 2,762 |
| 68 | SGHSCD | | 102 |
| 429 | Contributions in respect of clinical/medical negligence claims | | 1,551 |
| 426 | Profit on disposal of non current assets | | 50 |
| 251 | Donated Asset Additions | | 104 |
| 7,631 | Other | | 11,679 |
| **11,102** | **Total Other Operating Income** | SOCNE | **16,248** |
| **46,482** | **Total Income** | | **153,776** |
| **24,891** | **Of the above, the amount derived from NHS bodies is** | | **25,747** |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 9. ANALYSIS OF CAPITAL EXPENDITURE

| 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|
| | **EXPENDITURE** | | |
| 49 | Acquisition of Intangible Assets | 10 | 6 |
| 13,139 | Acquisition of Property, Plant and Equipment | 11 | 13,471 |
| 251 | Donated Asset Additions | 11b | 104 |
| 0 | HUB | | 127 |
| **13,439** | **Gross Capital Expenditure** | | **13,708** |
| | **INCOME** | | |
| 0 | Net book value of disposal of Intangible Assets | 10 | 5 |
| 154 | Net book value of disposal of Property, Plant and Equipment | 11a | 231 |
| 0 | Net book value of disposal of Donated Assets | 11b | 7 |
| 145 | Value of disposal of Non-Current Assets held for sale | 11c | 10 |
| 251 | Donated Asset Income | | 104 |
| **550** | **Capital Income** | | **357** |
| **12,889** | **Net Capital Expenditure** | | **13,351** |

### SUMMARY OF CAPITAL RESOURCE OUTTURN

| | | |
|---|---|---|
| 12,662 | Core Capital Expenditure included above | 13,109 |
| 12,738 | Core Capital Resource Limit | 13,109 |
| **76** | **Saving against Core Capital Resource Limit** | **0** |
| 227 | Non Core Capital Expenditure included above | 242 |
| 227 | Non Core Capital Resource Limit | 242 |
| **0** | **Saving against Non Core Capital Resource Limit** | **0** |
| 12,889 | Total Capital Expenditure | 13,351 |
| 12,965 | Total Capital Resource Limit | 13,351 |
| **76** | **Saving against Capital Resource Limit** | **0** |

NOTES TO THE ACCOUNTS

**for the year ended 31 March 2013**

**10. INTANGIBLE ASSETS**

| | | Software Licences | Information technology - software | Total |
|---|---|---|---|---|
| | | £'000 | £'000 | £'000 |
| **Cost or Valuation:** | | | | |
| As at 1 April 2012 | | 326 | 3,644 | 3,970 |
| Additions | | 0 | 6 | 6 |
| Disposals | | 0 | (84) | (84) |
| **At 31 March 2013** | | **326** | **3,566** | **3,892** |
| **Amortisation** | | | | |
| As at 1 April 2012 | | 112 | 2,053 | 2,165 |
| Provided during the year | | 65 | 560 | 625 |
| Disposals | | 0 | (79) | (79) |
| **At 31 March 2013** | | **177** | **2,534** | **2,711** |
| **Net Book Value at 1 April 2012** | | **214** | **1,591** | **1,805** |
| **Net Book Value at 31 March 2013** | B S | **149** | **1,032** | **1,181** |

**PRIOR YEAR**

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

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**
**11. (a) Property, Plant & Equipment (Purchased Assets)**

| | | Land (including under buildings) | Buildings (excluding dwellings) | Dwellings | Transport Equipment | Plant & Machinery | Information Technology | Furniture & Fittings | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2012 | | 19,733 | 265,976 | 5,840 | 1,408 | 45,581 | 8,067 | 3,561 | 8,333 | 358,499 |
| Additions | | 0 | 242 | 0 | 0 | 0 | 0 | 0 | 13,229 | 13,471 |
| Completions | | 301 | 2,080 | 134 | 0 | 2,139 | 1,023 | 8 | (5,685) | 0 |
| Transfers (to) non-current assets held for sale | | (26) | (50) | (95) | 0 | 0 | 0 | 0 | 0 | (171) |
| Revaluation | | (90) | (8,951) | (247) | 0 | 0 | 0 | 0 | 0 | (9,288) |
| Impairment Charge | | (120) | (2,269) | 0 | 0 | 0 | 0 | 0 | 0 | (2,389) |
| Disposals | | (10) | (81) | 0 | (106) | (2,256) | (102) | (9) | 0 | (2,564) |
| **At 31 March 2013** | | **19,788** | **256,947** | **5,632** | **1,302** | **45,464** | **8,988** | **3,560** | **15,877** | **357,558** |
| **Depreciation** | | | | | | | | | | |
| At 1 April 2012 | | 0 | 10,816 | 291 | 1,212 | 26,489 | 5,320 | 1,778 | 0 | 45,906 |
| Provided during the year | | 0 | 8,483 | 275 | 67 | 3,982 | 1,074 | 425 | 0 | 14,306 |
| Transfers (to) non-current assets held for sale | | 0 | (6) | 0 | 0 | 0 | 0 | 0 | 0 | (6) |
| Revaluation | | 0 | (8,105) | (427) | 0 | 0 | 0 | 0 | 0 | (8,532) |
| Impairment Charge | | 0 | (265) | 0 | 0 | 0 | 0 | 0 | 0 | (265) |
| Disposals | | 0 | (3) | 0 | (106) | (2,113) | (102) | (9) | 0 | (2,333) |
| **At 31 March 2013** | | **0** | **10,920** | **139** | **1,173** | **28,358** | **6,292** | **2,194** | **0** | **49,076** |
| **Net book value at 1 April 2012** | | **19,733** | **255,160** | **5,549** | **196** | **19,092** | **2,747** | **1,783** | **8,333** | **312,593** |
| **Net book value at 31 March 2013** | B S | **19,788** | **246,027** | **5,493** | **129** | **17,106** | **2,696** | **1,366** | **15,877** | **308,482** |
| **OMV of Land inc above** | | **181** | | **482** | | | | | | |
| **Asset financing:** | | | | | | | | | | |
| Owned | | 19,788 | 211,284 | 5,493 | 129 | 17,106 | 2,696 | 1,366 | 15,877 | 273,739 |
| Finance leased | | 0 | 1,376 | 0 | 0 | 0 | 0 | 0 | 0 | 1,376 |
| On-balance sheet PFI contracts | | 0 | 33,367 | 0 | 0 | 0 | 0 | 0 | 0 | 33,367 |
| **NBV at 31 March 2013** | | **19,788** | **246,027** | **5,493** | **129** | **17,106** | **2,696** | **1,366** | **15,877** | **308,482** |

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**
**11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEAR**

| | | Land (incl under buildings) | Buildings (excluding dwellings) | Dwellings | Transport Equipment | Plant & Machinery | Information Technology | Furniture & Fittings | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2011 | | **19,603** | **246,546** | **5,908** | **1,460** | **44,678** | **10,006** | **3,424** | **15,522** | **347,147** |
| Additions | | 0 | 227 | 0 | 0 | 5 | 0 | 0 | 12,907 | 13,139 |
| Completions | | 150 | 16,628 | 0 | 0 | 3,243 | 36 | 192 | (20,249) | 0 |
| Transfers (to) non-current assets held for sale | | (35) | 0 | (100) | 0 | 0 | 0 | 0 | 0 | (135) |
| Revaluation | | 15 | 3,457 | 32 | 0 | 0 | 0 | 0 | 153 | 3,657 |
| Impairment Charge | | 0 | (882) | 0 | 0 | 0 | 0 | 0 | 0 | (882) |
| Disposals | | 0 | 0 | 0 | (52) | (2,345) | (1,975) | (55) | 0 | (4,427) |
| **At 31 March 2012** | | **19,733** | **265,976** | **5,840** | **1,408** | **45,581** | **8,067** | **3,561** | **8,333** | **358,499** |
| **Depreciation** | | | | | | | | | | |
| At 1 April 2011 | | **0** | **6,700** | **110** | **1,197** | **24,366** | **5,963** | **1,416** | **0** | **39,752** |
| Provided during the year | | 0 | 8,182 | 270 | 67 | 4,314 | 1,332 | 417 | 0 | 14,582 |
| Transfers (to) non-current assets held for sale | | 0 | 0 | (7) | 0 | 0 | 0 | 0 | 0 | (7) |
| Revaluation | | 0 | (4,060) | (82) | 0 | 0 | 0 | 0 | 0 | (4,142) |
| Impairment Charge | | 0 | (6) | 0 | 0 | 0 | 0 | 0 | 0 | (6) |
| Disposals | | 0 | 0 | 0 | (52) | (2,191) | (1,975) | (55) | 0 | (4,273) |
| **At 31 March 2012** | | **0** | **10,816** | **291** | **1,212** | **26,489** | **5,320** | **1,778** | **0** | **45,906** |
| **Net book value at 1 April 2011** | | **19,603** | **239,846** | **5,798** | **263** | **20,312** | **4,043** | **2,008** | **15,522** | **307,395** |
| **Net book value at 31 March 2012** | B S | **19,733** | **255,160** | **5,549** | **196** | **19,092** | **2,747** | **1,783** | **8,333** | **312,593** |
| **OMV of Land Inc Above** | | **120** | **0** | **160** | | | | | | |
| **Asset financing:** | | | | | | | | | | |
| Owned | | 19,733 | 220,193 | 5,549 | 196 | 19,089 | 2,747 | 1,783 | 8,333 | 277,623 |
| Finance leased | | 0 | 857 | 0 | 0 | 3 | 0 | 0 | 0 | 860 |
| On-balance sheet PFI contracts | | 0 | 34,110 | 0 | 0 | 0 | 0 | 0 | 0 | 34,110 |
| **NBV at 31 March 2012** | | **19,733** | **255,160** | **5,549** | **196** | **19,092** | **2,747** | **1,783** | **8,333** | **312,593** |

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**
**11. (b) Property, Plant & Equipment (Donated Assets)**

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

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2012**
**11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR**

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

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 11. (c) ASSETS HELD FOR SALE

The following assets related to surplus property have been presented as held for sale following the approval for sale by NHS Highland Board. The completion date for sale is expected to be within the financial year, properties being: Nurses House Port Appin; Nurses House Kinlochbervie; Uig Surgery, Skye; Craignure, Mull.

| | | Property, Plant & Equipment £'000 |
|---|---|---|
| **At 1 April 2012** | | **120** |
| Transfers from property, plant and equipment | 11a | 165 |
| Gain or losses recognised on remeasurement of non-current assets held for sale | | (2) |
| Disposals for non-current assets held for sale | | (10) |
| **As at 31 March 2013** | BS | **273** |
| | | |
| **At 1 April 2011** | | **145** |
| Transfers from property, plant and equipment | 11a | 128 |
| Gain or losses recognised on remeasurement of non-current assets held for sale | | (8) |
| Disposals for non-current assets held for sale | | (145) |
| **As at 31 March 2012** | BS | **120** |

## 11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

| 2012 £'000 | | | £'000 |
|---|---|---|---|
| | **Net book value of property, plant and equipment at 31 March** | | |
| 312,593 | Purchased | 11a | 308,482 |
| 2,839 | Donated | 11b | 2,956 |
| **315,432** | **Total** | B S | **311,438** |
| 120 | Net book value related to land valued at open market value at 31 March | | 181 |
| 160 | Net book value related to buildings valued at open market value at 31 March | | 482 |
| | **Total value of assets held under:** | | |
| 860 | Finance Leases | | 1,376 |
| 34,110 | PFI and PPP Contracts | | 33,367 |
| 34,970 | | | 34,743 |
| | **Total depreciation charged in respect of assets held under:** | | |
| 247 | Finance leases | | 69 |
| 962 | PFI and PPP contracts | | 985 |
| 1,209 | | | 1,054 |

NHS Highland have revalued 20% of its Asset Base in 2012/13 as part of a rolling 5 year revaluation programme - revaluation was carried out by James Barr/F G Burnett on 31 March 2013 on the basis of fair value (market value or depreciated replacement costs where appropriate). No other tangible non current assets were revalued in 2012/13 as Indices set at 0% for land & buildings. Argyll & Bute Hospital also written down prior to sale.

The net impact was a decrease of £756,000 (2011/12 – increase of £7,845,000). Revaluation – Land (£90,000) Buildings £2,316,000 Argyll & Bute Hospital (£2,982,000). Revaluation reserve adjusted accordingly.

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 12. INVENTORIES AND WORK IN PROGRESS AS AT 31 MARCH 2013

| 2011 £'000 | 2012 £'000 | | | 2013 £'000 |
|---|---|---|---|---|
| 5,090 | 5,279 | Raw Materials and Consumables | | 5,604 |
| **5,090** | **5,279** | **Total Inventories** | BS | **5,604** |

## 13. TRADE AND OTHER RECEIVABLES

| 2011 | 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|---|
| | | **Receivables due within one year** | | |
| | | **NHSScotland** | | |
| 3,379 | 2,859 | Boards | | 3,826 |
| **3,379** | **2,859** | **Total NHSScotland Receivables** | | **3,826** |
| 277 | 275 | NHS Non-Scottish Bodies | | 366 |
| 0 | 20 | General Fund Receivable | | 0 |
| 1,118 | 822 | VAT recoverable | | 641 |
| 3,425 | 3,561 | Prepayments | | 6,618 |
| 2,685 | 2,822 | Accrued income | | 2,287 |
| 982 | 1,580 | Other Receivables | | 1,719 |
| 1,083 | 1,488 | Reimbursement of provisions | | 8,435 |
| 586 | 560 | Other Public Sector Bodies | | 4,162 |
| **13,535** | **13,987** | **Total Receivables due within one year** | B S | **28,054** |
| | | **Receivables due after more than one year** | | |
| 1,959 | 1,887 | Prepayments | | 1,814 |
| 6,055 | 6,226 | Accrued income | | 5,926 |
| 186 | 11 | Other Receivables | | 12 |
| 5,108 | 4,956 | Reimbursement of Provisions | | 378 |
| **13,308** | **13,080** | **Total Receivables due after more than one year** | B S | **8,130** |
| **26,843** | **27,067** | **TOTAL RECEIVABLES** | | **36,184** |
| 329 | 276 | The total receivables figure above includes a provision for impairments of : | | 399 |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

| 2012 £'000 | | 2013 £'000 |
|---|---|---|
| | **WGA Classification** | |
| 2,859 | NHSScotland | 3,826 |
| 824 | Central Government Bodies | 641 |
| 559 | Whole of Government Bodies | 4,162 |
| 275 | Balances with NHS bodies in England & Wales | 366 |
| 22,550 | Balances with bodies external to Government | 27,189 |
| 27,067 | **Total** | 36,184 |

| £'000 | Movements on the provision for impairment of receivables are as follows: | £'000 |
|---|---|---|
| 329 | At 1 April | 276 |
| 116 | Provision for impairment | 174 |
| (65) | Receivables written off during the year as uncollectible | (42) |
| (104) | Unused amounts reversed | (9) |
| **276** | At 31 March | **399** |

As of 31 March 2013, receivables with a carrying value of £399,000.00 (2012: £276,000.00) were impaired and provided for. The amount of the provision was £399,000.00 (2012: £276,000.00) The aging of these receivables is as follows:

| £'000 | | £'000 |
|---|---|---|
| 0 | 3 to 6 months past due | 0 |
| 276 | Over 6 months past due | 399 |
| **276** | | **399** |

The receivables assessed as past due but not impaired were mainly NHS Bodies, Local Government Authorities and Central Gvt Bodies and there is no history of default from these customers recently.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2013, receivables with a carrying value of £864,000.00 (2012: £591,000.00) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

| £'000 | | £'000 |
|---|---|---|
| 307 | Up to 3 months past due | 182 |
| 141 | 3 to 6 months past due | 191 |
| 143 | Over 6 months past due | 491 |
| **591** | | **864** |

The receivables assessed as past due but not impaired were mainly NHS Bodies, Local Government Authorities and Central Government Bodies and there is no history of default from these customers recently.

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

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

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

| £'000 | | £'000 |
|---|---|---|
| 27,067 | The carrying amount of receivables are denominated in the following currencies: Pounds | 36,184 |
| **27,067** | | **36,184** |

All non-current receivables are due within 12 years (2011/12: 13 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 £8,130,000.00 (2011/12:£13,080,000.00)

The effective interest rate on non-current other receivables is 2.2% (2011/12 2.2%). Pension liabilities are discounted at 2.35% (2011/12: 2.8%).

## 14. AVAILABLE FOR SALE FINANCIAL ASSETS

| 2012 £'000 | | | 2013 £'000 |
|---|---|---|---|
| 0 | Government securities | | 0 |
| 0 | Other | | 127 |
| **0** | **TOTAL** | BS | **127** |
| | | | |
| 0 | At 1 April 2012 | | 0 |
| 0 | Additions | | 127 |
| 0 | At 31 March 2013 | | 127 |
| | | | |
| 0 | Current | BS | 0 |
| 0 | Non-current | BS | 127 |

Other investments comprises a loan of £127,000 made to Hub North of Scotland Ltd for the Tain Health Centre development repayable in full with interest after 25 years.

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 15. CASH AND CASH EQUIVALENTS

| | Note | At 01/04/12 £'000 | Cash Flow £'000 | At 31/03/13 £'000 |
|---|---|---|---|---|
| Government Banking Service account balance | | 47 | 9 | 56 |
| Cash at bank and in hand | | 40 | 14 | 54 |
| **Total cash and cash equivalents - balance sheet** | BS | **87** | **23** | **110** |
| Overdrafts | 16 | (107) | 107 | 0 |
| **Total cash - cash flow statement** | | **(20)** | **130** | **110** |
| | | CFS | | CFS |

| **Prior Year 2011-12** | Note | At 01/04/11 £'000 | Cash Flow £'000 | At 31/03/12 £'000 |
|---|---|---|---|---|
| Government Banking Service account balance | | 49 | (2) | 47 |
| Cash at bank and in hand | | 58 | (18) | 40 |
| **Total cash and cash equivalents - balance sheet** | BS | **107** | **(20)** | **87** |
| Overdrafts | 16 | 0 | (107) | (107) |
| **Total cash - cash flow statement** | | **107** | **(127)** | **(20)** |
| | | 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 2013**

## 16. TRADE AND OTHER PAYABLES

| 2011 £'000 | 2012 £'000 | | Note | 2013 £'000 |
|---|---|---|---|---|
| | | **Payables due within one year NHSScotland** | | |
| 8,105 | 5,620 | Boards | | 7,680 |
| **8,105** | **5,620** | **Total NHSScotland Payables** | | **7,680** |
| 106 | 209 | NHS Non-Scottish Bodies | | 506 |
| 107 | 0 | General Fund Payable | | 110 |
| 11,793 | 10,712 | FHS Practitioners | | 11,604 |
| 5,509 | 2,173 | Trade Payables | | 8,580 |
| 13,841 | 17,264 | Accruals | | 18,303 |
| 219 | 225 | Deferred income | | 502 |
| 868 | 490 | Payments received on account | | 132 |
| 318 | 97 | Net obligations under Finance Leases | 22 | 51 |
| 911 | 983 | Net obligations under PPP/PFI Contracts | 23 | 1,062 |
| 0 | 107 | Bank overdrafts | 15 | 0 |
| 5,818 | 5,897 | Income tax and social security | | 6,182 |
| 3,440 | 3,478 | Superannuation | | 3,604 |
| 1,246 | 862 | Holiday Pay Accrual | | 1,985 |
| 4 | 6 | VAT | | 5 |
| 243 | 604 | Other Public Sector Bodies | | 5,378 |
| 719 | 894 | Other payables | | 1,449 |
| | 0 | Other significant Payables Ees pension contribution to Local Gvt Pension Scheme | | 109 |
| | 0 | Other significant Payables Ers pension contribution to Local Gvt Pension Scheme | | 326 |
| **53,247** | **49,621** | **Total Payables due within one year** | BS | **67,568** |
| | | **Payables due after more than one year - NHSScotland** | | |
| | 0 | Net obligations under Finance Leases due within 2 years | 22 | 57 |
| 221 | 176 | Net obligations under Finance Leases due after 2 years but within 5 years | 22 | 226 |
| 1,675 | 1,641 | Net obligations under Finance Leases due after 5 years | 22 | 2,066 |
| | 1,062 | Net obligations under PPP/PFI Contracts due within 2 years | 23 | 1,151 |
| 4,445 | 3,757 | Net obligations under PPP/PFI Contracts after 2 years but within 5 years | 23 | 4,083 |
| 31,784 | 30,428 | Net obligations under PPP/PFI Contracts due after 5 years | 23 | 28,951 |
| **38,125** | **37,064** | **Total Payables due after more than one year** | BS | **36,534** |
| **91,372** | **86,685** | **TOTAL PAYABLES** | | **104,102** |

## 16. TRADE AND OTHER PAYABLES, Contd

| £000 | £000 | WGA Classification | £000 |
|---|---|---|---|
| | 5,620 | NHS Scotland | 7,680 |
| | 5,903 | Central Government Bodies | 6,187 |
| | 604 | Whole of Government Bodies | 5,379 |
| | 209 | Balances with NHS Bodies in England and Wales | 506 |
| | 74,349 | Balances with bodies external to Government | 84,350 |
| | **86,685** | **Total** | **104,102** |

| £'000 | £'000 | Borrowings included above comprise: | £'000 |
|---|---|---|---|
| 0 | 107 | Bank overdrafts | 0 |
| 2,214 | 1,914 | Finance Leases | 2,400 |
| 37,140 | 36,230 | PFI Contracts | 35,247 |
| **39,354** | **38,251** | | **37,647** |

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

| £'000 | Fair value | £'000 |
|---|---|---|
| 1,817 | Finance Leases | 2,349 |
| 35,247 | PFI Contracts | 34,185 |
| **37,064** | | **36,534** |

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

| £'000 | The carrying amount of payables are denominated in the following currencies: | £'000 |
|---|---|---|
| 86,685 | Pounds | 104,102 |
| **86,685** | | **104,102** |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 17. PROVISIONS

| | Pensions & similar obligations £'000 | Clinical & Medical £'000 | Other £'000 | 2012–13 Total £'000 |
|---|---|---|---|---|
| At 1 April 2012 | 5,763 | 5,807 | 389 | 11,959 |
| Arising during the year | 1,018 | 4,498 | 1,052 | 6,568 |
| Utilised during the year | (558) | (1,301) | (189) | (2,048) |
| Unwinding of discount | 246 | 0 | 0 | 246 |
| Reversed unutilised | 0 | (242) | (46) | (288) |
| **At 31 March 2013** | **6,469** | **8,762** | **1,206** | **16,437** |

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

**Analysis of expected timing of discounted flows**

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

## 17. PROVISIONS - PRIOR YEAR

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

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

**Analysis of expected timing of discounted flows**

| | Pensions & similar obligations | Clinical & Medical | Other | Total |
|---|---|---|---|---|
| Payable in one year | 1,028 | 855 | 83 | 1,966 |
| Payable between 2-5 years | 4,735 | 4,952 | 306 | 9,993 |
| Payable between 6-10 years | | | | |
| Thereafter | | | | |
| **At 31 March 2012** | **5,763** | **5,807** | **389** | **11,959** |

**Pensions and similar obligations**

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.35% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

**Clinical & Medical**

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 5 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

**Other**

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

# Highland Health Board

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 18. MOVEMENT ON WORKING CAPITAL

| 2012 Net Movement £'000 | | Note | Opening Balances £'000 | Closing Balances £'000 | 2013 Net Movement £'000 |
|---|---|---|---|---|---|
| | **INVENTORIES** | | | | |
| (189) | Balance Sheet | 12 | 5,279 | 5,604 | |
| **(189)** | **Net (Increase)** | | | | **(325)** |
| | **TRADE AND OTHER RECEIVABLES** | | | | |
| (452) | Due within one year | 13 | 13,987 | 28,054 | |
| 228 | Due after more than one year | 13 | 13,080 | 8,130 | |
| | | | 27,067 | 36,184 | |
| (19) | Less: Property, Plant & Equipment (Capital) included in above | | 0 | 0 | |
| 20 | Less: General Fund Debtor included in above | | (20) | 0 | |
| | | | 27,047 | 36,184 | |
| **(223)** | **Net Decrease/(Increase)** | | | | **(9,137)** |
| | **TRADE AND OTHER PAYABLES** | | | | |
| (3,626) | Due within one year | 16 | 49,621 | 67,568 | |
| (1,061) | Due after more than one year | 16 | 37,064 | 36,534 | |
| (47) | Less: Property, Plant & Equipment (Capital) included in above | | (1,016) | (467) | |
| (107) | Less: Bank Overdraft | 16 | (107) | 0 | |
| 107 | Less: General Fund Creditor included in above | | (0) | (110) | |
| 1,210 | Less: Lease and PFI Creditors included in above | 16 | (38,144) | (37,647) | |
| | | | 47,418 | 65,878 | |
| **(3,524)** | **Net Increase** | | | | **18,460** |
| | **PROVISIONS** | | | | |
| (488) | Balance Sheet | 17 | 11,959 | 16,437 | |
| **488** | **Net (Decrease) / Increase** | | | | **4,478** |
| **(3,448)** | **NET MOVEMENT (Decrease) / Increase** | CFS | | | **13,476** |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 19. CONTINGENT LIABILITIES

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

| 2012 £'000 | Nature | 2013 £'000 |
|---|---|---|
| 2,430 | Clinical and medical compensation payments | 3,852 |
| 534 | Employer's liability | 639 |
| 5 | Third party liability | 25 |
| **2,969** | **TOTAL CONTINGENT LIABILITIES** | **4,516** |

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

**Equal Pay**
NHS Highland has received 246 claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

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

The current position and recent developments are summarised below.

**Comparator Information**
Comparators have still not been identified, with the exception of a small number of cases. Work is still ongoing by both claimants and respondents in this regard. Until comparators are identified it is not possible to identify the term which is said to breach the equality clause.

**Period of Claim**
The period over which back pay for any established breach would have to be calculated is the period between dissolution of their employing Trust and 30 September 2004. For NHS Highland this means that the period of the claim is limited to 6 months. The limited scope of these claims was upheld by the Employment Appeal Tribunal in the test case of Foley and Ors v Greater Glasgow Health Board (August 2012).

**Unequal Contract Term**
The issue of the basis of claims was considered at the Case Management Discussion on 22 January 2013, which centred on Emmanual v City and Hackney Primary Care Trust. This was a national test case to establish, where claimant and comparators carried out work of equal value, whether there was a genuine material factor defence for different terms relating

to pay. The Tribunal decided that the Trust had failed to demonstrate a justification in the respect of different weekend overtime rates, but had done in relation to basis pay.

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

| 2012 | CONTINGENT ASSETS | 2013 |
|---|---|---|
| 1,923 | Clinical and medical compensation payments | 3,374 |
| 334 | Employer's liability | 328 |
| 2,257 | | 3,702 |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 20. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 May 2013, NHS Boards in Scotland were informed of the Scottish Terms and Conditions Council's decision that women health workers in Scotland were to receive back-dated public holiday pay that they were entitled to whilst on maternity leave. The impact to NHS Highland of back-dating this to April 2008 is estimated as £900,000 and this has been included in the accounts for 2012/13 as a provision.

## 21. COMMITMENTS

| 2012 | Capital Commitments | 2013 |
|---|---|---|
| £'000 | The Board has the following Capital Commitments which have not been included for in the accounts | £'000 Property, plant and equipment |
| | **Contracted** | |
| 0 | Oban Dental Facility | 1,679 |
| 6,027 | Mid Argyll PFI Lifecycle Costs | 6,409 |
| 5,035 | ERPCC PFI Lifecycle Cost | 5.544 |
| 0 | Tain Health Centre HUB | 4,210 |
| 0 | Raigmore Biomass Boiler | 1,216 |
| 0 | Other Replacement Boilers | 1,959 |
| 0 | Raigmore Endoscopy | 3,550 |
| 1,200 | Mull & Iona Primary Care Centre | 0 |
| 80 | Greater Inverness Masterplan | 0 |
| **12,342** | **Total** | **24,567** |
| | **Authorised but not Contracted** | |
| 8,825 | Various Others | 5,105 |
| **8,825** | **Total** | **5,105** |

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

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 22. COMMITMENTS UNDER LEASES

| 2012 £'000 | Operating Leases | | 2013 £'000 |
|---|---|---|---|
| | Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods. | | |
| | **Buildings** | | |
| 2,010 | Not later than one year | | 1,872 |
| 1,871 | Later than one year, not later than 2 years | | 1,872 |
| 5,579 | Later than two years, not later than five years | | 5,352 |
| 18,896 | Later than five years | | 17,256 |
| | **Other** | | |
| 3,605 | Not later than one year | | 2,990 |
| 3,605 | Later than one year, not later than two years | | 2,226 |
| 2,773 | Later than two years, not later than five years | | 4,265 |
| 0 | Later than five years | | 0 |
| | **Amounts charged to Operating Costs in the year were:** | | |
| 3,761 | Hire of equipment (including vehicles) | | 3,720 |
| 3,131 | Other operating leases | | 3,333 |
| **6,892** | **Total** | | **7,053** |

| 2012 £'000 | Finance Leases | | 2013 £'000 |
|---|---|---|---|
| | Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods. | | |
| | **Obligations under Finance leases comprise:** | | |
| | **Buildings** | | |
| 239 | Rentals due within one year | 16 | 258 |
| 239 | Rentals due between one and two years (inclusive) | 16 | 259 |
| 719 | Rentals due between two and five years (inclusive) | 16 | 786 |
| 2,634 | Rentals due after five years | 16 | 2,881 |
| 3,831 | | | 4,184 |
| (1,996) | Less interest element | | (1,784) |
| **1,835** | | | **2,400** |
| | **Other** | | |
| 123 | Rentals due within one year | 16 | 0 |
| 0 | Rentals due between one and two years (inclusive) | 16 | 0 |
| 16 | Rentals due between two and five years (inclusive) | 16 | 0 |
| 0 | Rentals due after five years | 16 | 0 |
| 139 | | | 0 |
| (60) | Less interest element | | |
| **79** | | | **0** |

This total net obligation under finance leases is analysed in Note 16 (Trade and Other Payables)

| | **Aggregate Rentals Receivable in the year** | |
|---|---|---|
| 348 | Total of finance & operating leases | 399 |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 23. COMMITMENTS UNDER PFI CONTRACTS

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

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

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

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

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

| 2012 £'000 | Gross Minimum Lease Payments | New Craigs £'000 | Easter Ross £'000 | Mid Argyll £'000 | 2013 Total £'000 |
|---|---|---|---|---|---|
| 3,772 | Rentals due within 1 year | 1,922 | 621 | 1,229 | 3,772 |
| 3,772 | Due within 1 to 2 years | 1,922 | 622 | 1,229 | 3,773 |
| 11,317 | Due within 2 to 5 years | 5,767 | 1,864 | 3,686 | 11,317 |
| 47,991 | Due after 5 years | 14,235 | 7,375 | 22,407 | 44,017 |
| 66,852 | **Total** | 23,846 | 10,482 | 28,551 | 62,879 |
| | ***Less* Interest Element** | | | | |
| (2,789) | Rentals due within 1 year | (1,544) | (345) | (821) | (2,710) |
| (2,710) | Due within 1 to 2 years | (1,489) | (332) | (801) | (2,622) |
| (7,560) | Due within 2 to 5 years | (4,054) | (906) | (2,274) | (7,234) |
| (17,563) | Due after 5 years | (5,418) | (1,888) | (7,760) | (15,066) |
| (30,622) | **Total** | (12,505) | (3,471) | (11,656) | (27,632) |
| | **Present value of minimum lease payments** | | | | |
| 983 | Rentals due within 1 year | 378 | 276 | 408 | 1,062 |
| 1,062 | Due within 1 to 2 years | 433 | 290 | 428 | 1,151 |
| 3,757 | Due within 2 to 5 years | 1,713 | 958 | 1,412 | 4,083 |
| 30,428 | Due after 5 years | 8,817 | 5,487 | 14,647 | 28,951 |
| 36,230 | **Total** | 11,341 | 7,011 | 16,895 | 35,247 |

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

| 2012 | | 2013 |
|---|---|---|
| £'000 | | £'000 |
| 3,547 | Service charges | 3,789 |
| 2,862 | Interest charges | 2,790 |
| **6,409** | **Total** | **6,579** |

**24. PENSION COSTS**

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

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

For the current year, normal employer contributions of £29,102,000 were payable to the SPPA (prior year £27,616,000) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS Board incurred additional costs of £0 (prior year £0) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be made by future contributions from employing authorities.

Provisions / Liabilities / Pre-payments amounting to £1,496,682 are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions are increased in line with 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.

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Pension cost charge for the year | 29,162 | 27,616 |
| Provisions/Liabilities/Pre-payments included in the Balance Sheet | 1,497 | 2,031 |

## 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 recognise 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 2012 to 31 March 2013 of £1.287m and is included in the Statement of Comprehensive Net Expenditure. The current deficit on the fund has been covered by funding from Scottish Government. 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.

| The charge to the Statement of Comprehensive Net Expenditure consists of: | **2013 £000** |
|---|---|
| Current Service cost | 5,741 |
| Interest Cost | 39 |
| Return in the Fund Assets | (177) |
| Actuarial Gain | (122) |
| Charge to statement of comprehensive net expenditure | 5,481 |

The current assets and liabilities are made up of :-

Present Value of the Scheme Liabilities

| | |
|---|---|
| Opening defined benefit obligation | 0 |
| Current Service Cost | 5,741 |
| Interest Cost | 39 |
| Actuarial loss/(gain) | 73 |
| Estimated benefits paid | 310 |
| Contributions by scheme participants | 1,396 |
| Closing Value | 7,559 |

Fair Value of the Scheme Assets

| | |
|---|---|
| Opening Fair Value of scheme assets | 0 |
| Expected return on scheme assets | 177 |
| Actuarial loss/(gain) | 195 |
| Contributions by employer | 4,194 |
| Contributions by Scheme participants | 1,396 |
| Estimated benefits paid (net of transfers in) | 310 |
| Closing value | 6,272 |

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 actual return on scheme assets in the year was £0.372m.

The total contributions expected to be made to the Highland Council Pension Scheme by NHS highland in the year to 31 March 2014 is £4.050m.

**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 Barnett Waddingham LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal actuarial assumptions adopted as at 31 March 2013 are as follows:

| | | |
|---|---|---|
| (a) | Long term expected rate of return on assets in the scheme | 6.1% per annum |
| (b) | Life expectancy from age 65 (years) | |
| | Retiring today | |
| | Males | 21.3 |
| | Females | 23.6 |
| | Retiring in 20 years | |
| | Males | 22.6 |
| | Females | 25.1 |
| (c) | Financial assumptions | |
| | RPI increases | 3.4% |
| | CPI increases | 2.6% |
| | Rate of increase in salaries | 4.8% |
| | Rate of increase in pensions | 2.6% |
| | Rate of discounting scheme liabilities | 4.6% |
| | Take up of option to convert annual pension into retirement lump sum | 50% |
| (d) | The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held | |
| | Equities | 77% |
| | Gifts | 7% |
| | Other Bonds | 7% |
| | Property | 8% |
| | Cash | 1% |
| | Total | 100% |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments which have been recognised in these Accounts.

## 26. RESTATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

## 26. RESTATED BALANCE SHEET

## 26. RESTATED CASH FLOW STATEMENT

No restatement required for prior year figures for the 3 Notes above.

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 27. FINANCIAL INSTRUMENTS

### a FINANCIAL INSTRUMENTS BY CATEGORY

**Financial Assets**

| AT 31 MARCH 2013 | Note | Loans & Receivables £'000 | Available for Sale £'000 | Total £'000 |
|---|---|---|---|---|
| **Assets per balance sheet** | | | | |
| Investments | 14 | | 127 | 127 |
| Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. | 13 | 14,472 | | 14,472 |
| Cash and cash equivalents | 15 | 110 | | 110 |
| | | **14,582** | **127** | **14,709** |

| AT 31 MARCH 2012 | Note | Loans & Receivables £'000 | Available for Sale £'000 | Total £'000 |
|---|---|---|---|---|
| **Assets per balance sheet** | | | | |
| Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. | 13 | 11,474 | | 11,474 |
| Cash and cash equivalents | 15 | 87 | | 87 |
| | | **11,561** | | **11,561** |

**Financial Liabilities**

| AT 31 MARCH 2013 | Note | Liabilities at Fair Value through profit and loss £'000 | Other financial liabilities £'000 | Total £'000 |
|---|---|---|---|---|
| **Liabilities per balance sheet** | | | | |
| Finance lease liabilities | 16 | | 2,400 | 2,400 |
| PFI Liabilities | 16 | | 35,247 | 35,247 |
| Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation | 16 | | 48,482 | 48,482 |
| | | | **86,129** | **86,129** |

| AT 31 MARCH 2012 | Note | Liabilities at Fair Value through profit and loss £'000 | Other financial liabilities £'000 | Total £'000 |
|---|---|---|---|---|
| **Liabilities per balance sheet** | | | | |
| Finance lease liabilities | 16 | | 1,914 | 1,914 |
| PFI Liabilities | 16 | | 36,230 | 36,230 |
| Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation | 16 | | 33,315 | 33,315 |
| | | | **71,459** | **71,459** |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

**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 2013** | **£'000** | **£'000** | **£'000** | **£'000** |
| PFI Liabilities | 3,772 | 3,773 | 11,317 | 44,017 |
| Finance lease liabilities | 258 | 259 | 786 | 2,881 |
| **Total** | **4,030** | **4,032** | **12,103** | **46,898** |

| AT 31 MARCH 2012 | Less than 1 year £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|
| PFI Liabilities | 3,772 | 3,772 | 11,317 | 47,991 |
| Finance lease liabilities | 362 | 255 | 719 | 2,634 |
| Trade and other payables excluding statutory liabilities | 33,208 | 0 | 0 | 0 |
| **Total** | **37,342** | **4,027** | **12,036** | **50,625** |

**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 2013**

## 29. RELATED PARTY TRANSACTIONS

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

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

However, the Board has Endowment Funds that are managed by Trustees who are also directors of the Board. The Board has charged approx £128,000 for administration and estates management services. No balance remains outstanding at the end of the year.

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

Approximately 230 staff and budget of £7.5m transferred from NHS Highland to Highland Council for children's services and approximately 1620 staff and budget of £86.9m transferred from Highland Council to NHS Highland for adult services.

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

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 30. SEGMENTAL REPORTING

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

| | A & B CHP | North Highland CHP | Mid Highland CHP | SE Highland CHP | Raigmore Hospital | North & West Operational Unit | South & Mid Operational Unit | Adult Social Care Central | Adult Social Care Funding | Children Services | Other | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Net operating cost** | 176,334 | | | | 137,671 | 120,360 | 169,645 | 1,891 | (86,901) | 7,546 | 94,705 | 621,251 |
| **PRIOR YEAR Net operating cost** | 175,266 | 44,524 | 72,711 | 88,519 | 134,836 | | | | | | 90,135 | 605,991 |

NOTES TO THE ACCOUNTS
**for the year ended 31 March 2013**

## 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.

| | 2012 £'000 | Gross Inflows £'000 | Gross Outflows £'000 | 2013 £'000 |
|---|---|---|---|---|
| Monetary amounts such as bank balances and monies on deposit | 382 | 511 | (523) | 370 |
| **Total Monetary Assets** | 382 | 511 | (523) | 370 |

## 32. EXIT PACKAGES

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

### EXIT PACKAGES – PRIOR YEAR

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

**Highland Health Board**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

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

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

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006