

Ayrshire and Arran Health Board
Annual Report and Accounts for the year to 31 March 2016

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A.	PERFORMANCE REPORT
The performance report has been prepared in accordance with the government Financial Reporting Manual and complies with best practice.	
1.	Overview
Strategy, Principal Activities and Review of the Year	
The Board was established in 1974 under the National Health Service (Scotland) Act, 1972 and is responsible for commissioning healthcare services for the residents of Ayrshire and Arran, a total population of 368,000.	
Health 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:	
<ul style="list-style-type: none"> • improve and protect the health of the local people; • improve health services for local people; • focus clearly on health outcomes and people's experience of their local NHS system; • promote integrated health and community planning by working closely with other local organisations; and • provide a single focus of accountability for the performance of the local NHS system. 	
The functions of the unified NHS Board comprise:	
<ul style="list-style-type: none"> • strategy development • resource allocations • implementation of the Local Delivery Plan • performance management 	
Health and Social Care Integration	
In May 2012, the Scottish Government launched a public consultation to inform recommendations for legislation to support the integration of adult health and social care in Scotland and replace Community Health Partnerships (CHP) with Health and Social Care Partnerships (HSCP). The Public Bodies (Joint Working) (Scotland) Bill was passed on 25 February 2013 and received Royal Assent in April 2014 with commencement in April 2015.	
During 2013/14 the three councils in Ayrshire agreed the scope of services to be included in partnerships. At its meeting on 31 March 2014 the Health Board approved the services to be managed in the partnerships. These ran in shadow form in 2014/15	

as Shadow Integration Boards. In February 2015, Schemes of Establishment for three Integration Joint Boards were submitted to, and approved by, Scottish Government and the Cabinet Secretary signed orders establishing them from 1 April 2015. The three Integration Joint Boards were live in 2015/16 and their accounts are consolidated in the NHS Board accounts.

In 2015/16, £7.7 million of the Health Board funding was earmarked for an Integrated Care Fund for older people's services. The use of the money is agreed by partners (health, local authorities, voluntary organisations and private sector) but the final prioritisation is done by the three Integration Joint Boards. The Integration Joint Boards in Ayrshire and Arran had responsibility for the preparation and delivery of the Change Plans including minimising delayed discharge from hospital and preventing emergency admissions. In 2015/16 the Integration Joint Boards in Ayrshire prioritised the use of £2.3 million of delayed discharge investment.

Acute Services

The NHS Board approved an Outline Business Case for a combined assessment unit at University Hospital Crosshouse and a new accident and emergency at University Hospital Ayr (Building for Better Care) in December 2012 and this was approved by Scottish Government Capital Investment Group in February 2013. In June 2013 the Board approved an addendum to include a Combined Assessment Unit at University Hospital Ayr. The Full Business Case (FBC) with a capital value of £28.6 million was approved at the 1 February 2014 Board meeting then at the Capital Investment Group at Scottish Government. The new Accident and Emergency unit at Ayr became operational in February 2016 and the Combined Assessment unit at Crosshouse opened to patients in May 2016. Additional revenue investment of £1.5 million recurring is required for the increased facilities cost and £1 million for extra nurses.

In June 2013 the Board submitted to Scottish Government a Local Unscheduled Care Action Plan that outlined desired service developments to help achieve the maximum 4 hours accident and emergency wait target. Scottish Government provided £500,000 non-recurring in 2014/15 and 2015/16; however the Board has invested the full £2.1 million recurring in GP assessment units, a clinical decisions unit and various staffing. This investment complements the Building for Better Care Business Case.

Mental Health / North Ayrshire Community Hospital

In January 2008, the Board considered and approved planned community investments in mental health services. An additional £2.8 million was invested in 2008/09 in mental health services. A "Mind Your Health" option appraisal was undertaken in 2008 around the future location of acute mental health in-patient services and a consultation exercise was undertaken. The outcome from this was reported to the NHS Board meeting on 19 November 2008 with the preferred option being the move of most adult in-patient services to a new build facility at the Ayrshire Central Hospital site.

An original Outline Business Case (OBC) combining the mental health provision with a new North Ayrshire Community Hospital was approved at the December 2010 Board meeting and then submitted to the Scottish Government Health and Social Care Directorates (SGHSCD). In July 2011, SGHSCD asked the Board to pursue a Non Profit Distribution (NPD) procurement route for this project and submit a refreshed OBC reflecting this procurement route. The refreshed OBC was submitted to

SGHSCD in December 2011 following local Board approval. SGHSCD approval to the OBC submission was received in a letter dated 31 May 2012.

European wide expressions of interest were sought in January 2013. Following a successful "Bidders Day"/evaluation process in February 2013, three bidding consortia were shortlisted to progress the competitive dialogue process, which continued until December 2013 when final bids were submitted. Following evaluation, Balfour Beatty was appointed as preferred bidder and a Full Business Case with a capital value of £54.7 million was approved at the March 2014 Board meeting.

Financial close was achieved on 19 June 2014 and building of the new facility commenced in July 2014, with handover of the new facility (named Woodland View) on 1 April 2016. Due to timing of handover, the asset is shown in the accounts as work in progress with a value of £46.5 million. This will allow consolidation of mental health inpatient beds from three sites and the modern premises will allow better clinical care, better observation and a much improved environment for patients.

Capital Schemes

Capital expenditure totalling £18.25 million has been incurred in the year, which matches the capital allocation for the year. The following are the main capital spend areas during 2015/16.

	£000
Building for Better Care	13,427
Woodland View – Adviser Fees	87
Woodland View – Equipment	410
Electro Medical Equipment	2,006
IT Projects	427
Theatre Instrumentation	200
Furniture and Equipment	63
Energy Saving Projects	300
Lift Upgrades	447
Water Infrastructure	203
Generator Replacement	340
Douglas Grant ACH – new pathways	189
ACH CDU – additional Steriliser	98
Other small capital projects	205
Capital receipts less profit and fees	(145)
Total:	18,257

The non-profit distributing model used for the Woodland View mental health / community hospital means there is no initial capital outlay for the Board, instead it is revenue financed through payment of an annual service payment for twenty five years. Treasury guidance requires that the Board accounts, on our balance sheet, for the value of work in progress at 31 March 2016 and this amounts to £46.531 million.

During 2015/16, the following capital schemes were funded through endowment funds (therefore shown as donated assets on the balance sheet):

	£000
Crosshouse Day Surgery Unit	509
Breast unit day surgery reception	129
Biggart Atrium	146
Total:	784

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level fraud / error for calendar year 2015 in relation to Ayrshire and Arran patients wrongly claiming exemption from dental and ophthalmic charges. These are based on extrapolation of a small sample and are shown in the table below:

	Estimated Potential Fraud/Error	
	2014	2015
	£	£
Dental Fees	640,909	516,931
Ophthalmic Fees	213,189	213,316

2. Performance Analysis

Financial performance and position

		Limit as set by SGHSCD	Actual Outturn	Variance (Over)/Under
		£'000	£'000	£'000
1	Revenue Resource limit:			
	Core	703,686	703,621	65
	Non-core	22,076	22,076	0
2	Capital Resource Limit:			
	Core	18,258	18,257	1
	Non-core	25,151	25,151	0
3	Cash Requirement	772,345	772,340	5

Memorandum for in year outturn	£'000
Brought forward surplus from previous financial year	346
Deficit against in year Revenue Resource Limit	(281)
Cumulative savings against revenue resource limit	65

The accounts have been prepared under an accounts direction and on a going concern basis.

Current Assets

A prepayment of £1.065 million was recognised in respect of public holiday leave taken in advance of entitlement during March 2016. This was treated as impaired due to the entitlement to the leave arising on 1 April 2016.

Non-current Assets
The balance sheet shows an increase in property, plant and equipment from £345 million at 1 April 2015 to £392 million at 31 March 2016. This is partly due to capital spend (including under the Non-Profit Distributing model) but also upward revaluations.
Outstanding Liabilities
Current and non-current liabilities are presented in the Balance Sheet in the financial statements and include liabilities outstanding in relation to Private Finance Initiative contracts.
Public Finance Initiative/Public Private Partnerships
<u>Ayrshire Maternity Unit (AMU)</u>
The AMU is situated within the grounds of University Hospital Crosshouse, Kilmarnock and provides obstetric in-patient, neonatal, day case and specialist outpatient facilities for women and babies of Ayrshire and Arran. The capital value of the project was £19.5 million, which is now on balance sheet under IFRS. The contract with Ayrshire Hospitals Limited (AHL) commenced on 1 July 2006 and runs for 30 years to 30 June 2036. At the end of the contract period the building will transfer, free of charge to the NHS Board from the PFI Project Company.
<u>East Ayrshire Community Hospital (EACH)</u>
Situated in Cumnock, EACH provides inpatient services to frail elderly, elderly with mental illness and GP acute. It also provides day facilities to frail elderly and elderly mentally ill, and outpatient services to the local area. The assets have a net book value of £14 million on the balance sheet as at 31 March 2016. The contract with HBG Construction Scotland Limited runs for 25 years to August 2025. At the end of the contract term, the NHS Board has the option to acquire the building at a market valuation price from the PFI Project Company Special Purpose Vehicle (SPV).
Details of the new mental health and community hospital in Irvine which is being built under the non-profit distributing model is shown under capital schemes. Details of all are provided in Note 23 of the financial statements.
Equal Pay
Other payables include an amount of £358,011 in respect of the Board's estimated liability arising from equal pay claims. There is a further set of claims which on the basis of materiality is not recognised in these accounts.
Ongoing Cases
Note 17 to the accounts shows a provision for £27.2 million in respect of clinical and medical legal claims against the Board. In addition, note 19 shows £15.4 million as a contingent liability for clinical and medical compensation.
Risks
The Governance Statement outlines the eight high risks within the corporate risk register and gives a fuller description of actions in relation to the one very high risk which relates to lack of medical staff.

Performance against Key Non Financial Targets

Ayrshire and Arran Health Board is monitored by the Scottish Government against a number of indicators known as the 'Local Delivery Plan (LDP) Standards'. The LDP is effectively a contract between the Scottish Government and the Health Board whereby each Board routinely reports performance against trajectories which are mutually agreed. Trajectories were set against the indicators where some revision was agreed in the LDP for financial year 2015/16. Outcomes are then discussed at an Annual Review meeting held between the Scottish Government and NHS Ayrshire & Arran Health Board.

Performance Summary

Information has been provided on a total of 22 indicators. The performance against these indicators has been summarised in table 1 below, detailing a description of:

- Indicator;
- Unit;
- Baseline performance;
- Latest performance (Actual and Planned) and
- Target detail.

The Performance scores are also shown in table 1 below. The key is as follows:

GREEN	Currently meeting or better than trajectory (plan)
AMBER	Currently within 5% of trajectory (plan)
RED	Currently outwith the acceptable control limit of >5% of trajectory (plan)

Table 1: LDP Standards 2015/16

ID	Indicator	Units/measure	Baseline		Latest Performance					Target Detail	
			Date	Value	Date	Actual	Planned	Performance Score	Date	Target	
LDP.1	Detect Cancer Early	Percentage of people diagnosed and treated in the first stage of breast, colorectal and lung cancer	Dec-13	24.8%	Dec-14	24.7%	19.5%	GREEN	Dec-15	20%	
LDP.2	31-Day Cancer: All Cancer Treatment (31 days)	Percentage of all patients referred urgently with a suspicion of cancer will begin treatment within 31 days of receipt of referral	Jun-09	76%	Feb-16	97.9%	95%	GREEN	Mar-16	95%	
LDP.3	62-Day Cancer: Suspicion-of-Cancer Referrals (62 days)	Percentage of all patients referred urgently with a suspicion of cancer will begin treatment within 62 days of receipt of referral	Jun-08	91.3%	Feb-16	92.5%	95%	AMBER	Mar-16	95%	
LDP.4	Dementia Post Diagnostic Support	Percentage of people newly diagnosed with a year's worth of post diagnostic support	Under development (Every patient who is diagnosed with dementia is currently offered the one year post diagnostic support therefore in this respect this measure is achieving 100%. However, it may take some patients many months to come to terms with their diagnosis and accept the support which is being offered therefore when examining those patients who have completed their one year post diagnostic support, figures are just beginning to be recorded)						All people newly diagnosed with dementia will have a minimum of a year's worth of post-diagnostic support		
LDP.5	12wks TTG (IP/DC)	Percentage of in-patient and day case patients to be seen within the 12 weeks Treatment Time Guarantee (TTG)	Jul-14	100%	Mar-16	87.1%	83.1%	GREEN	Mar-16	83.1%	
LDP.6	18 weeks Referral to Treatment - Performance	Percentage of combined admitted and non-admitted patient pathways to be treated within 18 weeks of referral	Mar-11	78.6%	Feb-16	74.21%	90%	RED	Mar-16	90%	

ID	Indicator	Units/measure	Baseline		Latest Performance			Target Detail	
			Date	Value	Date	Actual	Planned	Performance Score	Date
LDP.7	New Outpatients: Maximum 12 weeks from Referral (95%)	Percentage of patients who started treatment within 12 weeks of referral	Apr-14	95.28%	Feb-16	74.6%	76.7%	AMBER	Mar-16
LDP.8	Early Access to Antenatal Services	Percentage of women booked for antenatal care by 12th week of gestation	Q4 2010/11	69%	Jun-15	86.44%	80%	GREEN	Mar-16
LDP.9	IVF Treatment Waiting Times	Percentage of eligible patients who will commence IVF treatment within 12 months	Q2 2014/15	100%	Q3 2015/16	100%	100%	GREEN	Q4 2015/16
LDP.10*	Faster Access to CAMHS - 18 weeks	Percentage of patients who started treatment within 18 weeks of referral	Apr-13	79.27%	Feb-16	98.9%	90%	GREEN	Mar-16
LDP.11*	Faster Access to Psychological Therapies - 18 wks	Percentage of patients who started treatment within 18 weeks of referral	Apr-14	79.88%	Feb-16	78.26%	90%	GREEN	Mar-16
LDP.12	C.Diff Reduction Rate	Clostridium difficile infections in patients aged 15 and over per 1000 total occupied bed days - rate	Q1 2012/13	0.48	Q3 2015/16	0.4	0.32	GREEN	Q4 2015/16
LDP.13	MRSA/MSSA Reduction Rate	Staphylococcus aureus bacteraemia cases per 1,000 acute occupied bed days - rate	Q1 2012/13	0.28	Q3 2015/16	0.26	0.24	GREEN	Q4 2015/16
LDP.14	Drug and Alcohol Treatment: Referral to Treatment	Percentage of clients who will wait no longer than 3 weeks from date of referral received, to appropriate drug or alcohol treatment that supports their recovery	Jun-11	89.6%	Mar-16	96.5%	90%	GREEN	Mar-16
LDP.15*	Alcohol Brief Interventions	Number of alcohol brief interventions carried out where at least 80% of delivery will continue to be in the priority settings	Q1 2015/16	1,165	Q3 2015/16	3,560	3,207	GREEN	Q4 2015/16
									4,275

ID	Indicator	Units/measure	Baseline		Latest Performance					Target Detail	
			Date	Value	Date	Actual	Planned	Performance Score	Date	Target	
LDP.16*	Smoking Cessation (SIMD)	Number of successful quits, after 12 weeks, for people residing in the 40% most deprived datazones	Apr-14	49	Dec-15	473	483	AMBER	Mar-16	645	
LDP.17	48 Hour Access – GP Practice Team	Percentage of patients who were able to obtain a consultation with a GP or appropriate healthcare professional within 2 working days of initial contact	2008/09	90.2%	2013/14	91.6%	90%	GREEN	2014/15	90%	
LDP.18	Advance Booking – GP	Percentage of patients who were able to book a consultation with a GP more than 2 working days in advance	2008/09	74.1%	2013/14	76.8%	90%	GREEN	2014/15	90%	
LDP.19*	Sickness Absence	Percentage of sickness absence	Apr-09	4.47%	2015/16	4.96%	4.5%	RED	Mar-16	4.5%	
LDP.20*	A&E Waits to be a Maximum of 4 hours	Percentage of patients attending emergency	Apr-09	96.9%	Mar-16	91.1%	95%	RED	Mar-16	95%	
LDP.21*	Financial Performance	£000s	n/a	n/a	Mar-16	£65	£0	GREEN	Mar-16	£0	
LDP.22	Cash Efficiencies	£000s	n/a	n/a	Mar-16	£19,061	£19,060	GREEN	Mar-16	£19,060	

Notes:

* denotes locally gathered data

Based on the most up to date data available regarding the end of year position, seven indicators were showing a Red position, eleven were showing a Green position and three were showing an Amber position. The remaining indicator had no data available. The performance has been summarised in the lists below where RAG status is available.

1. The following indicators scored as RED (outwith >5% of trajectory)

LDP.6	18 weeks Referral to Treatment – Performance
LDP.11	Faster Access to Psychological Therapies – 18 weeks
LDP.12	C. Diff Reduction (Rate)
LDP.13	MRSA/MSSA Reduction (Rate)
LDP.18	Advance Booking – GP (it should be noted however that this indicator is linked to LDP.17 (48 Hour Access – GP Practice Team) which is 'Green' and achievement against one of the indicators means that overall achievement of the target has been reached)
LDP.19	Sickness Absence
LDP.20	A&E Waits to be a Maximum of 4 hours

2. The following indicators scored as GREEN (meeting/met or exceeding plan)

LDP.1	Detect Cancer Early
LDP.2	31-Day Cancer: All Cancer Treatments (31 days)
LDP.5	12 weeks TTG (IP/DC)
LDP.8	Early Access to Antenatal Services
LDP.9	IVF Treatment Waiting Times
LDP.10	Faster Access to CAMHS – 18 weeks
LDP.14	Drug and Alcohol Treatment: Referral to Treatment
LDP.15	Alcohol Brief Interventions
LDP.17	48 Hour Access – GP Practice Team
LDP.21	Financial Performance
LDP.22	Cash Efficiencies

3. The following indicators scored as AMBER (within >5% of trajectory)

LDP.3	62-Day Cancer: Suspicion-of-Cancer Referrals (62 days)
LDP.7	New Outpatients: Maximum 12 weeks from Referral (95%)
LDP.16	Smoking Cessation (SIMD)

NHS Ayrshire & Arran has a Performance Governance Committee whose remit includes providing assurance that systems and procedures are in place to monitor, manage and improve overall performance.

	<p>For those indicators which were scored as Red (outwith >5% of trajectory) the following comment and remedial action was provided by the service responsible:</p>
	<p><u>LDP.6: 18 weeks Referral to Treatment - Performance</u></p> <p>Analysis: The most up to date data are showing a RED and WORSENING position as at February 2016 of 74.21% of combined admitted and non-admitted patient pathways to be treated within 18 weeks of referral against a trajectory of 90%.</p> <p>Remedial Action: Individual specialties continue to implement, monitor and report on their remedial action reports detailing their projected position and outcomes. This is monitored on a weekly basis through an Access Group on both Acute Hospital sites, chaired by the Assistant Directors of Acute Services, and on a monthly basis by the Director of Acute Services. A weekly update on the outpatient stage of treatment situation is also provided to Scottish Government.</p> <p><u>LDP.11: Faster Access to Psychological Therapies – 18 weeks</u></p> <p>Analysis: These data are showing a RED and IMPROVING position of 78.26% of patients being seen within 18 weeks in February 2016, up from 76.06% in January 2016. This is based on 'adjusted' figures, i.e. excluding periods of patient unavailability.</p> <p>Remedial Action: Five work streams of the Psychological Therapies and CAMHS Programme are taking forward the work required to ensure the service delivers the 18 week RTT target.</p> <p><u>LDP.12: C. Diff Reduction (Rate)</u></p> <p>Analysis: These local data are showing a RED and WORSENING position as at Q3 2015/16 from a rate of 0.39 in Q2 2015/16 to a rate of 0.4, against a target of 0.32.</p> <p>Striving to achieve the CDI target will remain challenging to the organisation, however, new initiatives within the Infection Prevention & Control Team (IPCT) include joint ward rounds, new protocols and enhanced surveillance of care home related cases to determine if there are any additional interventions that can be implemented in the community. The Infection Control Manager is currently leading on a wholesale review of the CDI reduction strategy. This will include visiting Boards which have met their individual required standard to determine if there is learning that can be gained from these Boards.</p> <p>Remedial Action Reporting: The Nurse Director is convening a multi-disciplinary CDI Summit to review the Boards CDI reduction strategy and identify further areas of intervention. The summit will be supported by Health Protection Scotland.</p>

LDP.13: MRSA/MSSA Reduction (Rate)

Analysis: The published data for Q3 2015/16 for SABs exceeds the expected trajectory position at 0.26 against a trajectory of 0.24 which is a **RED** and **IMPROVING** position from the Q2 2015/16 result of 0.28.

Remedial Action: The focus remains on vascular access related SABs with two packages of measures having been launched in February 2016. The first is on peripheral vascular catheters (PVCs) and includes a new clinical guideline; revised insertion and maintenance care plan and bundle; a revised Learn-pro module and patient information leaflet. The second package of measures aims to reduce blood culture contaminants and includes a revised clinical guideline, introduction of new equipment to reduce risk of contamination and a revised Learn-pro module. Work to support the implementation of both bundles will be a key area for the Infection Prevention and Control Team and the Consultant Microbiologists in 2016-17.

LDP.18: Advance Booking – GP

Analysis: Nationally published data for this indicator showed worsening trend in performance, from 77.6% of patients in 2011/12 being able to book in advance to 76.8% in 2013/14 against a target of 90%, therefore a **RED** and **WORSENING** position. The Scottish average for 2013/14 was 78.1%. The figures for this target are taken from GP Access Survey which is conducted every two years.

Remedial Action: The performance against this target will be reviewed again when the Patient Experience Survey is repeated. It should be noted that the Quality and Outcomes Framework (QOF) points allocated to performance against these targets in previous years have been allocated to new QOF measures aimed at reducing emergency admissions; demand; and prescribing costs. There is a risk, therefore, that there are no levers available to the Board to incentivise Practices towards meeting these targets, unless there is a major breakdown of service resulting in patients not being able to access services to meet identified need - which would constitute a breach of contract.

LDP.19: Sickness Absence

Analysis: The cumulative year to date average is 4.96%, against the full year average target of 4.5%. The local monthly data shows a **RED** and **IMPROVING** position from a revised result of 5.26% in February 2016 to 4.92% in March 2016 which means that the end of year target has not been reached.

Remedial Action: The following observations have been identified and further actions to remedy the situation are being undertaken:

- Monthly hotspot reports continue to be produced with focused resource within those areas identified in order to audit processes and test understanding of the application of the policy;

- Local action plans are put in place to address any issues identified above;
- Monthly training sessions scheduled throughout the year;
- Promoting Attendance and Wellbeing training also continues to be a focus of the Line Managers Development Programme; and
- Monthly case management meetings with Occupational Health are undertaken to ensure consistency in the support being offered to staff absent on a long term basis.

LDP.20: A&E Waits to be a Maximum of 4 hours

Analysis: These local data are showing a **RED** and **IMPROVING** position from 90.4% in February 2016 to 91.1% in March 2016, against a target of 95%. It should be noted that despite this result being within the 5% tolerance margin which would normally class performance as 'Amber', as this is the end of year position, the required standard has not been met and therefore it is reported as 'Red'. Performance for UH Crosshouse was 91.2% and for UH Ayr was 88.42% in February 2016.

Remedial Action: Management teams at both Crosshouse and Ayr continue to seek sustained improvements. Winter plans are in place and further patient flow initiatives are being progressed. An assessment unit opened in May 2016 at Crosshouse which will stream some patients away from the accident and emergency department.

Sustainability and Environmental reporting

Cumulative Comparison to 31st March 2016

	Gas		
	14/15 kwh	15/16 kwh	Increase/ Decrease
Crosshouse	14,113,499	13,313,388	(5.67%)
Ailsa	10,183,063	10,507,485	3.19%
Ayr	9,194,452	10,430,674	13.45%
ACH	11,795,275	13,001,477	10.23%
Biggart	3,778,581	3,662,275	(3.08%)

Totals	49,064,870	50,915,299	3.77%
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	Electricity		
	14/15 kwh	15/16 kwh	Increase/ Decrease
Crosshouse	12,756,776	12,727,855	(0.23%)
Ailsa	2,737,587	2,701,162	(1.33%)
Ayr	6,122,564	6,238,611	1.90%
ACH	3,109,655	3,684,424	18.48%
Biggart	866,712	879,341	1.46%

Totals	25,593,294	26,231,393	2.49%
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The tables above show an increased use of gas and electricity in 2015/16 at two or our five major sites. In particular Ayrshire Central Hospital (ACH) utility use was higher due to the building of a 206 bed hospital on the site. There was also a newly built accident and emergency department opened at University Hospital Ayr during the year.

Social Community and Human Rights

NHS Ayrshire & Arran strives to continue to embed the equalities agenda and meet the requirements of the Equality Act 2010, Public Sector Equality Duty and Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. We do this by ensuring that our services are person-centred (including patients, their families, carers, and staff) and that our core function of providing health care and prevention of ill-health for all meets the needs of those who access it.

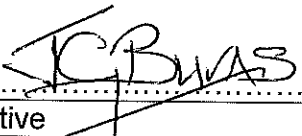
Services need to be accessible, appropriate and sensitive to the needs of all service users. No-one should be excluded or experience particular difficulty in accessing and effectively using our services due to their protected characteristics of age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race/ethnicity, religion or belief, sex or sexual orientation.

In 2013, NHS Ayrshire & Arran published its first Mainstreaming Report including equality outcomes to support meeting the needs of some of our most vulnerable communities. In April 2015 we published our two year progress report to highlight the progress made to embed equalities into our day to day functions. The report shows our commitment to ensuring the ever-changing demography and diversity of our population are reflected in services which are person-centred and aim to meet the needs of all who access it.

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 financial assets and liabilities at fair value through the Statement of Consolidated Comprehensive Net Expenditure. 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.

Signed 

Date 21/6/16

Chief Executive

B.	ACCOUNTABILITY REPORT
Corporate Governance Report	
1a The Directors' Report	
Naming convention	
NHS Ayrshire and Arran is the common name for Ayrshire and Arran Health Board.	
Date of Issue	
Financial statements were approved and authorised for issue by the Health Board on 21 June 2016.	
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. The Auditor General appointed Fiona Mitchell-Knight, Assistant Director of Audit, Audit Scotland to undertake the audit of Ayrshire and Arran 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.	
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.	
Dr M Cheyne, Chairman	
Mr J Burns, Chief Executive	
Prof. Hazel Borland, Director of Nursing (from 05/01/2016)	
Mrs L Bowie, Non Executive Director	
Mr J Callaghan, Employee Director (until 30/09/2015)	
Dr K Darwent, Vice Chair	
Dr C Davidson, Director of Public Health	
Mr Stewart Donnelly, Employee Director (from 01/10/2015)	
Councillor W Gibson, Non-Executive Director	
Ms Claire Gilmore, Non-Executive Director (from 01/06/2015)	
Dr A Graham, Medical Director	
Dr A Gunning, Director for Strategic Planning, Policy and Performance (until 31/07/2015)	
Councillor H Hunter, Non-Executive Director	
Mr D Lindsay, Director of Finance	
Mr R Martin, Non Executive Director	
Dr J McKay, Non-Executive Director	

Mr S McKenzie, Non-Executive Director
Mr A McKie, Non-Executive Director
Councillor D Reid, Non-Executive Director
Ms L Tennant, Non-Executive Director
Mr I Welsh, Non-Executive Director
The board members' responsibilities in relation to the accounts are set out in a statement following this report.
Board Members' and Senior Managers' Interests
Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 29. A register of interests, which includes details of company directorships or other significant interests held by Board members that may conflict with their management responsibilities, is available by contacting the NHS Board, Eglinton House, Ailsa Hospital, Dalmellington Road, Ayr KA6 6AB, or can be accessed on the Board's website at: register of board members interests .
All Directors appointed by the Cabinet Secretary (shown in the remuneration report) are also Trustees of the Ayrshire and Arran Endowments.
Directors' third party indemnity provisions
Director's have no third party indemnity provisions.
Pension liabilities
The accounting policy note for pensions is provided in Note 1 and disclosure of the costs shown within Note 24 and the remuneration report.
Remuneration for non- audit work
No remuneration was paid to external auditors in respect of any non audit work carried out on behalf of Ayrshire and Arran Health Board.
Value of Land
Land is shown in the balance sheet at market value.
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 financial year.
This information is available on our website at the following link Public Services Reform (Scotland) Act-2010 .
Personal data related incidents reported to the Information Commissioner
Throughout the year, three personal data related incidents were considered to meet the criteria for notification to the Information Commissioner's Office (ICO). Two of the incidents were duly reported, no regulatory action was taken by the ICO. NHS Ayrshire & Arran await further correspondence from the ICO with regards to the third personal

data related incident.
Payment policy
The Scottish Government is committed to supporting 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 Health Board did endeavour to comply with the principles of The Better Payment Practice Code (http://www.payontime.co.uk/) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.
<ul style="list-style-type: none"> • In 2015/16 average credit taken was 9 days from date invoice received. (2014/15 = 10 days from invoice date). • In 2015/16 the Health Board paid 93% by volume and 94% by value of non NHS suppliers within 30 days of the invoice being received, (compared to 92% and 94% in 2014/15). • Based on the date of invoices being received, 86% by value and 84% by volume were paid within 10 days in 2015/16 (compared to 86% and 81% in 2014/15).
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 he / she ought reasonably to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Board's auditors are aware of that information.
Events after the end of the reporting period
There have been no important events affecting the Health Board since the year-end.
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.
Governance framework of the Board
The board meets regularly during the year to progress the business of the Health Board. In December 2012 the Board agreed revised governance, assurance and scrutiny structures to operate from January 2013 and the resultant changes to standing committees is detailed below.
The 30 March 2015 Board meeting approved an updated Code of Corporate Governance including members' code of conduct, standard of business conduct for NHS staff, standing financial instructions and scheme of delegation.

<p>Healthcare Governance Committee</p> <p>The remit of the Healthcare Governance Committee is to provide assurance to the NHS Board that systems and procedures are in place to monitor healthcare governance in line with the Board's statutory duty for quality of care.</p> <p>Members of the Healthcare Governance Committee and attendance during 2015/16 were:</p> <p>Dr Kirsty Darwent (Chair) (3/5) Councillor William Gibson (4/5) Mr Alistair McKie (5/5) Dr Janet McKay (5/5) Miss Lisa Tennant (4/5) Mr Ian Welsh (2/5)</p> <p>The Healthcare Governance Committee met five times from 1 April 2015 – 31 March 2016.</p>
<p>Audit Committee</p> <p>The Audit Committee met five times during 2015/16 to consider reports received from internal audit (PricewaterhouseCoopers LLP) and external audit (Audit Scotland). The committee monitors corporate governance, probity and issues around internal control.</p> <p>Membership of the Audit Committee and attendance during 2015/16 were:</p> <p>Mr Alistair McKie (Chair) (4/5) Mr John Callaghan – until October 2015 (1/5) Mr Stewart Donnelly – from October 2015 (2/5) Councillor William Gibson – Until January 2016 (2/5) Ms Claire Gilmore - from January 2016 (0/1) Dr Janet McKay (4/5) Mr Robert Martin (4/5) Councillor Douglas Reid (2/5)</p>
<p>Staff Governance Committee</p> <p>The Committee met four times during 2015/16. The Committee monitors compliance with the Staff Governance Standards and is supported by the Area Partnership Forum and the Remuneration Committee.</p> <p>Membership of the Staff Governance Committee and attendance during 2015/16 were:</p> <p>Mr Ian Welsh (Chair) (3/4) Mrs Lesley Bowie (3/4) Mr John Callaghan – until September 2015 (2/4) Mr Stewart Donnelly – from October 2015 (2/4) Councillor Hugh Hunter (3/4) Dr Janet McKay (3/4) Councillor Douglas Reid (1/4)</p>

Performance Governance Committee
The Performance Governance Committee met on four occasions between 1 April 2015 and 31 March 2016. The committee has a remit to consider a range of areas including; HEAT/Local Delivery Plan, Investment Scrutiny, Benefits Realisation, Post Project Evaluation and Finance and Service Performance. Membership of the Performance Governance Committee and attendance during 2015/16 were:
Mr Robert Martin (Chair) (4/4) Mr John Callaghan – until December 2015 (0/2) Mr Stewart Donnelly – from December 2015 (1/2) Ms Claire Gilmore – from September 2015 (2/4) Councillor Hugh Hunter (4/4) Mr Stephen McKenzie (3/4) Mr Ian Welsh (2/4)
Information Governance Committee
The Information Governance Committee has a remit to consider a range of areas including; Caldicott Principles, Freedom of Information, NHS Code of Practice on Confidentiality, Data Protection, Information Assurance, e-Health and Data Sharing.
Further to that the Information Governance Committee is also responsible for overseeing the development and implementation of a Records Management Plan for NHS Ayrshire & Arran to ensure records, both clinical and corporate are being managed throughout their lifecycle in compliance with Public Records (Scotland) Act 2011.
The Information Governance Committee met four times in the period from 1 April 2015 to 31 March 2016. Membership of the committee and attendance during 2015/16 were:
Mrs Lesley Bowie (Chair) (4/4) Dr Kirsty Darwent (4/4) Ms Claire Gilmore – from January 2016 (1/4) Councillor Hugh Hunter (3/4) Mr Robert Martin (2/4) Miss Lisa Tennant (3/4)
Integrated Governance Committee
The Integrated Governance Committee was established to coordinate cross cutting issues such as risk management. It met twice during 2015/16. Membership of the Integrated Governance Committee and attendance during 2015/16 was:
Dr Martin Cheyne (Chair)(2/2) Mrs Lesley Bowie (1/2) Dr Kirsty Darwent (1/2) Mr Robert Martin (1/2) Mr Alistair McKie (2/2) Mr Ian Welsh (2/2)

1b Statement of Accounting Officer's responsibilities

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

This designation carries with it, responsibility for:

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

In preparing the Accounts I am required to comply with the requirements of the Government's 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's 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 in the Departmental Accountable Officers letter to me of 1 February 2012.

1c The Statement of Board Members' responsibilities

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 2016 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards 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.

1d	The Governance Statement
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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. The Board has complied with the SPFM during 2015/16.

Governance Framework

During financial year 2012/2013 the Chairman and Chief Executive agreed to review the Board's governance arrangements in order to ensure a focus of continuous improvement and to strengthen the arrangements in place for NHS Ayrshire & Arran. This work resulted in a refreshed Governance Framework being presented and approved at the

NHS Board meeting held on 5 December 2012. The Governance Framework comprises the following committees:

- Audit Committee;
- Healthcare Governance Committee;
- Information Governance Committee;
- Performance Governance Committee; and,
- Staff Governance Committee.

These committees have operated throughout 2015/16 and the Board has considered and discussed the annual report for 2015/16 produced by each of these committees at its meeting on the 23 May 2016. The NHS Board was satisfied that the Governance Committees have fulfilled their remit. The remit of the Audit Committee is to provide assurance to the NHS Board on corporate governance and financial probity. The Audit Committee receives reports from internal and external auditors.

The Information Governance Committee was created in early 2013 to provide assurance to the Board on how the organisation handles patient identifiable information in line with Caldicott guidance and ensure compliance with legislation such as the Data Protection Act 1998 and Freedom of Information Act 2000. The Director of Finance has been designated as the Senior Information Risk Owner.

As part of the continuous review of governance arrangements, the Board approved at its meeting on 25 August 2014 the establishment of an Integrated Governance Committee comprising the chairs of each of the above governance committees and is chaired by the Board Chair and attended by the lead executive director for each of these areas. This group allows an overview and coordination of governance work across all committees such as the internal audit programme and corporate risk register.

The Board have a robust performance management approach through the Performance Governance Committee monitoring and scrutinising performance against the targets set in the Local Delivery Plan as well as detailed review of the Board's revenue and capital plans.

The NHS Board also carries out its scrutiny role by receiving the following reports at every meeting.

- healthcare associated infection;
- safer patient work;
- patient experience story;
- waiting times; and
- financial performance.

The function of the Board and its committees during the year was considered effective due to it having an appropriate balance of skills, experience, independence and knowledge, to challenge and scrutinise the work of NHS Ayrshire and Arran. An internal audit review of Board Governance arrangements reported to the September 2014 Audit Committee only one low risk recommendation. New Board members received induction and during the year there were Board Workshops for all Board members to discuss

particular topics in greater detail.

In addition, the Board reviewed its Code of Corporate Governance which brings all aspects of Corporate Governance (including Standing Orders, Standing Financial instructions and Scheme of Delegation) into a single code. The revisions to the Code were agreed by the Health Board at its meeting on 30 March 2015. A process is in place to assign government circulars and directives to a lead director and follow up actions taken. This ensures compliance with relevant laws and regulations. The Board has in place a Whistle Blowing Policy which was updated in April 2013. This policy provides a protective means to raise concerns regarding the delivery of care, the Health and Safety of employees and visitors or the integrity of the organisation without fear of victimisation. Members of the public can raise formal complaints through the Board complaints team.

On the 2 April 2015 three Integration Joint Boards were each established as a body corporate by order of the Scottish ministers as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. The Integration Joint Boards have the responsibility for providing social care and defined health care for the residents of Ayrshire and Arran. In addition, the Integration Joint Boards provide specific health care services across Ayrshire by means of lead partnership arrangements agreed in the Integration Schemes between NHS Ayrshire and Arran and the three Ayrshire Councils.

In 2015/16 a balanced financial position was reported in each of the Partnerships. This was after applying additional funding to meet the increased costs of prescribing in primary care; this reflected the agreement in the Integration Scheme that prescribing costs will be managed by Health across the three partnerships. There were a number of cost pressures during the year, particularly in specialist Mental Health Services, managed by the North Health and Social Care Partnership, where there were high numbers of one to one observations of patients and very high sickness absence levels. The extent of the overspend was identified during the year and action taken to generate slippage in other budgets to reach a balanced financial position.

The NHS Board meets every two months and receives timely, comprehensive and relevant information for discussion and approval. The Board has positive relationships with stakeholders and is a key participant within community planning arrangements across the three councils. A Board effectiveness assessment was commissioned in July 2014 and reported to a Board workshop in October 2014. This involved a questionnaire to all Board members and an interview with ten. The outcome was positive, with seven recommendations for improvement being agreed. The Audit Committee carried out a self-assessment during 2015/16 and was in line with good practice guidelines.

A non-Ministerial Board Annual Review took place in September 2015 with stakeholders invited to participate. In a follow-up letter from the Cabinet Secretary, the Board was commended for performance in various areas, including alcohol brief interventions, the 31 day cancer access standard and integration of health and social care. Work continues around healthcare acquired infections, accident and emergency four hour wait and the treatment time guarantee targets, which remain challenging to achieve.

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:

- discussions with and letters of assurance from Directors who are responsible for developing, implementing and maintaining internal controls across their areas;
- minutes and annual reports from Governance Committees;
- 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;
- comments by the external auditors in their management letters and other reports; and
- national reports such as Healthcare Improvement Scotland reviews.

The NHS Board receives minutes from each Governance Committee and receives an annual report from each committee to confirm that their remit has been fulfilled. Where necessary a committee can escalate issues for Board scrutiny. In 2015/16 the Staff Governance Committee requested that Mandatory and Statutory Training be further scrutinised by the NHS Board in 2016.

Audit Scotland carried out an annual review of internal audit (provided by PricewaterhouseCoopers) to allow reliance to be placed on the work of our internal audit programme. Audit Scotland concluded that the internal audit service operates in accordance with public sector internal audit standards and has sound documentation standards and reporting procedures in place.

Audit Scotland carried out a review of internal controls and reported in April 2016 that their overall assessment was that the key controls within the Board's main financial system are operating satisfactorily.

In accordance with the principles of best value the NHS Board aims to foster a culture of continuous improvement. As part of this Directorates are encouraged to review, identify and improve the efficient and effective use of resources. Business cases and board papers need to demonstrate that consideration has been given to the Best Value characteristics published in the 2011 Best Value Guidance to Accountable Officers. I can confirm that arrangements have been made to secure best value as set out in the SPFM.

The Financial Management Report was discussed at each Board meeting which includes efficiency measures. During the year, significant overspends on medical and nurse staffing budgets were reported as a result of increasing use and cost of agency locums. These spends were caused by vacancies in key medical posts and increased demand for unscheduled care. Other factors in the acute hospitals overspend were waiting list initiatives to reduce waiting times, and supplies overspends, due to higher volume of activity. Despite this, NHS Ayrshire and Arran achieved all financial targets for the year 2015/16.

Risk Assessment

NHSScotland 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.

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

- approved a risk appetite statement at the December 2015 Board meeting;
- developed the Datix adverse events reporting module;
- considered risk management in the context of Health and Social Care Partnerships.

The highest rated corporate risk is "lack of medical staff leading to delays and cancellations to patient care and treatment resulting".

The need for locum doctors is driven by vacancies, increasing demand and an assessment of clinical risk. An internal audit report on the subject of medical workforce had a medium risk and was received at the April 2015 Audit Committee. This recommended that the locum approval process document be updated and distributed and that external locum providers outwith the national framework which are regularly used by the Board should undergo an appropriate process to ensure they provide best value.

In December 2015, a locum approval process was issued. This included escalating levels of approval from general manager if the locum is being engaged for less than 2 months, to assistant director of acute services if between 2 months and 6 months, to director for acute services if over 6 months engagement.

During 2015/16, the costs of agency medical staff continued to increase and in 2015/16 some £7.4 million was spent on agency locums compared to £4.6 million in 2014/15. This is a factor of increased number of hours required, but also the hourly rate. Currently few locums can be secured at the nationally negotiated contract rate and the majority negotiate a higher rate. Scottish Government provided £1 million additional allocation non-recurring in 2015/16 to assist with the high cost of medical locums.

A high risk recommendation within a internal audit review of consultants job planning was that objectives are not consistently completed and reviewed during annual job planning meetings with consultants. An action plan has been agreed to address this.

The corporate risk register also contains eight high risks in the following areas:

- promoting attendance;
- personal development review;
- mandatory and statutory training;
- statutory management of the estate;
- statutory management of occupational road risk;

- delivery of the approved capital plan;
- achieving the legal treatment time guarantee; and
- achieving balanced financial plan for 2016/17.

All of these are being actively managed by the relevant risk owner and a quarterly report on relevant risks is taken to each governance committee of the Board.

Disclosures

In the 2014/15 Governance Statement, I disclosed that due to emergency service pressure over winter, most orthopaedic elective operations were cancelled in January and February 2015 resulting in 388 patients who breached the 12 week Treatment Time Guarantee in the last quarter of 2014/15. Despite best endeavours, during 2015/16 there were 1,980 patients who breached the 12 week Treatment Time Guarantee (mainly orthopaedic patients) as the backlog has not been able to be resolved.

During 2015/16 there were two reports issued following visits by the Healthcare Environmental Inspectorate of Healthcare Improvement Scotland to NHS Ayrshire and Arran facilities. One was for Biggart Hospital which had no requirements or recommendations, and the other for Ayrshire Central Hospital which had three requirements and one recommendation. The reports and action plans were considered at the Healthcare Governance Committee of the Board and are shown on the Board public website.

A patient committed suicide in Crosshouse accident and emergency department in August 2010. The Crown Office and Procurator Fiscal Service asked the Health and Safety Executive to examine the circumstances in November 2012. On 27 October 2015, NHS Ayrshire and Arran pleaded guilty to breaching Sections 3 and 33(1)(a) duties under the Health and Safety at Work Act 1974 and was fined £100,000, reduced to £67,000 on the basis of its early guilty plea.

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Ayrshire and Arran Health Board Endowment Fund and the accounts of the three Integration Joint Boards (IJBs). This statement reflects any relevant disclosure in respect of these Endowment accounts. Assurance has been received from the Endowment Committee and the Chief Officers of the Health and Social Care Partnerships as well as the fact that Endowment Funds and IJB accounts are subject to audit.

2.	Remuneration Report and Staff Report
2.1	Remuneration Report
Board members' and senior employees' remuneration	
<p>The Health Board has a Remuneration Committee, which is a sub-committee of the Staff Governance Committee. Membership of the sub-committee consists of Non-Executive Board members including the Employee Director. The Chair of the NHS Board is the Chair of the Remuneration Committee.</p> <p>The Remuneration Committee membership is as follows:-</p>	
<p>Dr Martin Cheyne, Chair Councillor William Gibson Mr John Callaghan (until 30 September 2015) Mr Stewart Donnelly (from 1 October 2015) Dr Kirsty Darwent</p>	
<p>The committee met two times during 2015/16. The committee is responsible for providing assurance to the NHS Board regarding the probity and corporate governance aspects of the appointment, appraisal and remuneration of those covered by Executive Pay Arrangements and to monitor terms and conditions of employment in accordance with central direction.</p>	
Directors - Remuneration	
<p>Remuneration of the Chief Executive, Executive Directors, Directors and Senior Managers is determined in line with directions issued by the Scottish Government Health and Social Care Directorates (SGHSCD). All posts at this level are subject to rigorous job evaluation arrangements by the National Evaluation Committee and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the SGHSCD has been appropriately applied and agreed by the Remuneration Committee.</p>	
Performance Appraisal	
<p>Performance appraisals, for those covered by Executive Pay Arrangements, are carried out in line with the guidance from the National Performance Management Committee and overseen by the Remuneration Committee. The Committee agrees the individual in-year objectives of the Board's Executive Directors and Directors and approves their annual performance assessments each year. Annual pay rises, for those covered by Executive Pay Arrangements, are dependent on achieving specified levels of performance, in line with National agreement.</p>	

Payments to Non-Executive Directors and Executive Directors'

The following tables provide a breakdown of Non Executive Directors' and Executive Directors' remuneration 2015/16;

Remuneration (salary, benefits in kind and pensions) 2015 -16

Single total figure of remuneration						
Board Members	Directors' Gross Salary (Bands of £5,000)	Bonus Payments (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	(vi) Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
Executive						
Mr J Burns, Chief Executive	130 - 135	0	0	130 - 135	37	170 - 175
Mr D Lindsay, Director of Finance	100 - 105	0	2	100 - 105	6	110 - 115
(i) Dr A Gunning, Director for Strategic Planning, Policy and Performance (to 31 July 2015)	140 - 145	0	0	140 - 145	0	140 - 145
Dr A Graham, Medical Director	160 - 165	0	4	165 - 170	32	195 - 200
Dr C Davidson, Director of Public Health	175 - 180	0	0	175 - 180	0	175 - 180
(ii) Professor. H Borland, Nurse Director (from 1 January 2016)	15 - 20	0	0	15 - 20	12	30 - 35
Non-executive						
Dr M Cheyne, Chairman	25 - 30	0	0	25 - 30	0	25 - 30
Dr K Darwent, Vice Chair	5 - 10	0	0	5 - 10	0	5 - 10
Mrs L Bowle	5 - 10	0	0	5 - 10	0	5 - 10
(iii) Mr J Callaghan (until 30 September 2015)	25 - 30	0	1	25 - 30	4	30 - 35
(iv) Mr S Donnelly (from 1 October 2015)	25 - 30	0	1	25 - 30	0	25 - 30
Councillor W Gibson	5 - 10	0	0	5 - 10	0	5 - 10
Ms C Gilmore (from 1 June 2015)	5 - 10	0	0	5 - 10	0	5 - 10
Councillor H Hunter	5 - 10	0	0	5 - 10	0	5 - 10
Mr R Martin	5 - 10	0	0	5 - 10	0	5 - 10
(v) Dr J McKay	65 - 70	0	3	65 - 70	11	80 - 85
Mr S McKenzie	5 - 10	0	0	5 - 10	0	5 - 10
Mr A McKie	5 - 10	0	0	5 - 10	0	5 - 10
Councillor D Reid	5 - 10	0	0	5 - 10	0	5 - 10
Miss L Tennant	5 - 10	0	0	5 - 10	0	5 - 10
Mr I Welsh	5 - 10	0	0	5 - 10	0	5 - 10

(i) Dr A Gunning's gross salary includes £100k in respect of early retirement costs.

(ii) Prof H Borland transferred from NHS Dumfries and Galloway on 1 January 2016. Her annual salary is £78,039.

(iii) Mr J Callaghan was the employee director until 30 September 2015, and £21,363 of his salary and all pension benefits are in respect of non-Board duties.

(iv) Mr S Donnelly is the employee director (effective from 1 October 2015), and £23,276 of his salary and all pension benefits are in respect of non-Board duties.

(v) Dr J McKay is a stakeholder director for the Area Clinical Forum, and £57,989 and all pension benefits are in respect of non-Board duties.

(vi) The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.

Pension Benefits							
Board Members	Accrued pension at age as at 31/03/2016 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2016 (Bands of £5,000)	Real increase in pension at pension age (Bands of £2,500)	Real Increase in lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2015 (£'000)	(vii) Cash Equivalent Transfer Value (CETV) at 31/03/2016 (£'000)	Real Increase in CETV (£'000)
Mr J Burns, Chief Executive	50 - 55	160 - 165	2.5 - 5.0	7.5 - 10.0	1,034	1,116	62
Mr D Lindsay, Director of Finance	25 - 30	85 - 90	0 - 2.5	2.5 - 5.0	501	531	16
Dr A Graham, Medical Director	55 - 60	170 - 175	0 - 2.5	5.0 - 7.5	1,038	1,117	55
Dr C Davidson, Director of Public Health	50 - 55	160 - 165	0 - 2.5	2.5 - 5.0	1,196	1,252	36
Professor. H Borland, Nurse Director (from 1 January 2016)	30 - 35	90 - 95	0 - 2.5	0 - 2.5	519	545	23
Mr J Callaghan, Non-executive Director (to 30 September 2015)	20 - 25	60 - 65	0 - 2.5	0 - 2.5	483	481	(4)
Mr S Donnelly, Non-executive Director (from 1 October 2015)	20 - 25	60 - 65	0 - 2.5	0 - 2.5	423	424	(1)
Dr J McKay, Non-executive Director	20 - 25	65 - 70	0 - 2.5	0 - 2.5	424	452	21

(vii) The real discount rate used to evaluate CETV has been as advised by the UK Government Actuaries Department.

Payments to Non-Executive Directors' and Executive Directors'

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration for 2014/15.

Remuneration (salary, benefits in kind and pensions) 2014 -15

Single total figure of remuneration						
Board Members	Directors' Gross Salary (Bands of £5,000)	Bonus Payments (Bands of £5,000)	Benefits in Kind (£'000)	Total Earnings in Year (Bands of £5,000)	****Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
Executive						
Mr J Burns, Chief Executive	130 - 135	0	0	130 - 135	51	180 - 185
Mr D Lindsay, Director of Finance	100 - 105	0	1.6	100 - 105	11	115 - 120
Dr A Gunning, Director for Strategic Planning, Policy and Performance	115 - 120	0	0	115 - 120	14	130 - 135
Dr A Graham, Medical Director	155 - 160	0	3.1	160 - 165	20	180 - 185
Dr C Davidson, Director of Public Health	170 - 175	0	0	170 - 175	42	210 - 215
*Mrs F McQueen, Nurse Director (to 16 November 2014)	60 - 65	0	1.1	65 - 70	31	95 - 100
Non-executive						
Dr M Cheyne, Chairman	25 - 30	0	0	25 - 30	0	25 - 30
Dr K Darwent, Vice Chair	5 - 10	0	0	5 - 10	0	5 - 10
Mrs L Bowie	5 - 10	0	0	5 - 10	0	5 - 10
**Mr J Callaghan	45 - 50	0	2.1	50 - 55	7	55 - 60
Councillor W Gibson	5 - 10	0	0	5 - 10	0	5 - 10
Councillor H Hunter	5 - 10	0	0	5 - 10	0	5 - 10
Mr R Martin	5 - 10	0	0	5 - 10	0	5 - 10
***Dr J McKay	65 - 70	0	2.0	65 - 70	4	70 - 75
Mr S McKenzie	5 - 10	0	0	5 - 10	0	5 - 10
Mr A McKie	5 - 10	0	0	5 - 10	0	5 - 10
Councillor D Reid	5 - 10	0	0	5 - 10	0	5 - 10
Miss L Tennant	5 - 10	0	0	5 - 10	0	5 - 10
Mr J Welsh	5 - 10	0	0	5 - 10	0	5 - 10

*Although Professor Fiona McQueen, the former Director of Nursing, continues to be employed and paid by NHS Ayrshire and Arran, her remuneration since November 2014 is fully recharged to the Scottish Government Health and Social Care Directorate on a secondment basis, and is included in Notes 2(a) and 2(b) to the Annual Accounts.

**J Callaghan is the employee director and £40,964 of his salary and all pension benefits are in respect of non-Board duties.

***J McKay is a stakeholder director for the Area Clinical Forum and £57,069 and all pension benefits are in respect of non-Board duties.

****The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2015 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2015 (Bands of £5,000)	Real increase in pension at pension age (Bands of £2,500)	Real increase in lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2015 (£'000)	***** Cash Equivalent Transfer Value (CETV) at 31/03/2014 (£'000)	Real increase in CETV (£'000)
Executive							
Mr J Burns, Chief Executive	50 - 55	150 - 155	2.5 - 5.0	7.5 - 10.0	1,023	925	68
Mr D Lindsay, Director of Finance	25 - 30	80 - 85	0 - 2.5	2.5 - 5.0	496	458	19
Dr A Gunning, Director for Strategic Planning, Policy and Performance	45 - 50	145 - 150	0 - 2.5	2.5 - 5.0	1,095	1,022	44
Dr A Graham, Medical Director	50 - 55	160 - 165	0 - 2.5	5.0 - 7.5	1,028	954	40
Dr C Davidson, Director of Public Health	50 - 55	155 - 160	2.5 - 5.0	7.5 - 10.0	1,184	1,077	74
Mrs F McQueen, Nurse Director	35 - 40	115 - 120	0 - 2.5	5.0 - 7.5	806	741	48
Mr J Callaghan, Non-executive Director	20 - 25	60 - 65	0 - 2.5	0 - 2.5	478	460	9
Dr J McKay, Non-executive Director	20 - 25	60 - 65	0 - 2.5	0 - 2.5	420	394	14

***** The real discount rate used to evaluate CETV has been as advised by the UK Government Actuaries Department.

Additional Disclosure Required

2015/16		2014/15	
Highest Earning Director's Total Remuneration (£000's)	175-180	Highest Earning Director's Total Remuneration (£000's)	170-175
Median Total Remuneration	29,356	Median Total Remuneration	28,887
Ratio	6.05	Ratio	5.97

Commentary

Boards are required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Board's workforce. The banded total remuneration of the highest-paid director in NHS Ayrshire and Arran in the financial year 2015/16 was £175,000-£180,000 (2014/15, £170,000-

£175,000). In 2015/16 this was 6.05 times the median remuneration of the workforce, which was £29,356 while in 2014/15 this was 5.97 times the median remuneration which was £28,887.

There was an increase of 1.6% year on year in the median remuneration of the workforce. During 2014/15 there were 24 clinical members of staff whose remuneration was higher than the highest earning director. During 2015/16 there were 16 clinical members of staff whose remuneration was higher than the highest paid director.

Total remuneration for this purpose includes salary, non-consolidated performance related pay, as well as severance payments. It does not include employer pension contributions, the cash equivalent transfer value of pensions or benefits in kind.

2.2 Staff Report

a Number of senior staff by band

	2016	2015
Band (bands of £5,000)	Number of Staff	Number of Staff
15 - 20	1	0
45 - 50	0	4
50 - 55	5	4
55 - 60	3	5
60 - 65	2	3
65 - 70	2	1
70 - 75	1	4
75 - 80	1	0
80 - 85	2	0
85 - 90	0	1
90 - 95	0	1
95 - 100	3	3
100 - 105	2	2
105 - 110	1	0
115 - 120	0	1
125 - 130	0	1
135 - 140	1	0
155 - 160	0	1
160 - 165	1	0
170 - 175	0	1
175 - 180	1	0

b Staff numbers

STAFF NUMBERS	Wte	Wte	Headcount	Headcount
	2016	2015	2016	2015
	Annual Mean	Annual Mean	Annual Mean	Annual Mean
Administration Costs	54.0	53.4	54	55
Hospital & Community Services	8,584.2	8,567.1	10,045	10,075
Non Clinical Services	122.2	127.5	156	158
Other, including recharge trading accounts	391.3	390.9	469	475
Board Total Average Staff	9,151.7	9,138.9	10,724	10,763
Permanent Staff	8,785.3	8,777.2	10,748	10,777
Staff with Short Term Contract	305.9	321.7	*	*
Inward Secondees	6.0	3.6	6	4
Agency Staff	80.8	52.0	*	*
Outward Secondees	(26.3)	(15.6)	(30)	(18)
Board Total Average Staff	9,151.7	9,138.9	10,724	10,763
Disabled Staff	49.3	55.8	62	69
Special Advisers	0.0	0.0	0	0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	4.8	4.6	7	5

* Headcount for agency staff and staff on short term contracts are not available.

c Staff composition – an analysis of the number of persons of each sex who were directors and employees

	2016			2015		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	6	9	4	6	10
Non-Executive Directors and Employee Director	10	5	15	9	4	13
Senior Employees	7	10	17	7	15	22
Other	1,746	8,930	10,676	1,772	8,943	10,715
Total Headcount	1,766	8,951	10,717	1,792	8,968	10,760

d	Sickness absence data		
		2016	2015
	Sickness Absence Rate	4.96%	5.00%

e	Staff policies applied during the financial year relating to the employment of disabled persons
<p>In accordance with the Staff Governance Standards, NHS Ayrshire and Arran is committed to ensuring that all staff are treated fairly and equally regardless of their protected characteristic. Therefore, all staff, including those staff with a disability, have the same opportunities in every aspect of their employment journey beginning at the recruitment stage.</p> <p>In accordance with current policy:</p> <ul style="list-style-type: none"> • All disabled applicants who meet the minimum criteria for a job vacancy will be invited to attend for interview and their suitability for the post will be based on their skills, knowledge and experience. This includes existing staff who apply for a promoted post. • Reasonable adjustments will be made both in terms of duties and/or equipment required to retain an employee in work should they become disabled during their employment. • Individual training needs are primarily identified and agreed at the annual PDP meeting. The subsequent development plan is created to meet the needs of the employee thus providing all staff with the same opportunity for development. <p>NHS Ayrshire and Arran also participates in a number of employability initiatives to support people with a disability to gain work experience and sustainable employment eg the Management Trainee Scheme for disabled graduates which is a 2 year employment opportunity for disabled graduates providing them with a challenging and rewarding experience of employment.</p>	

f	Expenditure on consultancy
<p>Scottish Government guidance on 'Use of Consultancy Procedures' defines 'consultancy' as including a wide range of professional services such as management consultancy, IT consultancy, financial consultancy, construction or infrastructure related consultancy, research and evaluation policy development (including feasibility studies). http://www.gov.scot/Topics/Government/Procurement/about/SPDDOCFORMS/v</p> <p>It should be noted that the definition applies to the services which are being procured, not the name of the supplier or the supplier's own description of the service.</p> <p>The details required by the Public Services (Scotland) Reform Act 2010 are published on NHS Ayrshire and Arran website.</p>	

	2016	2015
	£	£
External Consultancy	682,404	918,092

g	Off payroll engagements as defined in Public Expenditure System (PES) guidance
<p>Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, NHS Boards are required to publish information on their highly paid and/or senior off-payroll engagements. In line with the background and the purpose of this disclosure, such engagements are defined in these accounts as individuals who would, if employed directly, come within the scope of Senior Employees in the Remuneration Report.</p>	
<p>This note excludes individuals engaged on a secondment or agency basis. The costs associated with these individuals are disclosed in these accounts within staff costs (note 2).</p>	
<p>There are no senior employees with off-payroll engagements within NHS Ayrshire and Arran.</p>	

Exit Packages - summary data on the use of exit packages agreed in-year.			
			2016
Exit Package cost band	Number of Compulsory	Number of other departures agreed	Total number of exit packages by cost band
< £10,000		2	2
£10,000 - £25,000			
£25,000 - £50,000		1	1
£50,000 - £100,000		2	2
£150,000 - £200,000			
>£200,000			
Total number of exit Packages by type		5	5
Total Resource Cost (£'000)		239	239

Exit Packages –Prior Year			
			2015
Exit Package cost band	Number of Compulsory	Number of other departures agreed	Total number of exit packages by cost band
< £10,000			
£10,000 - £25,000			
£25,000 - £50,000		1	1
£50,000 - £100,000			
£150,000 - £200,000			
>£200,000			
Total number of exit Packages by type		1	1
Total Resource Cost (£'000)		30	30

Chief Executive..........Date.....21/6/16.....

Independent auditor's report to the members of Ayrshire and Arran NHS Board, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Board of NHS Ayrshire and Arran and its group for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, the Consolidated Balance Sheet, the Statement of Consolidated Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2016 and of their net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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 and Staff 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 Performance 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 and Staff 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.



Fiona Mitchell-Knight FCA
Assistant Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

21 June 2016

NHS AYRSHIRE AND ARRAN

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2016

2015 £000		Note	2016 £000	2016 £000
	Clinical Services Costs			
591,991	Hospital and Community	<u>4</u>	985,924	
26,060	Less: Hospital and Community Income	<u>8</u>	397,644	588,280
<u>565,931</u>				
181,552	Family Health	<u>5</u>	183,892	
5,632	Less: Family Health Income	<u>8</u>	5,399	178,493
<u>175,920</u>				
741,851	Total Clinical Services Costs			766,773
2,790	Administration Costs	<u>6</u>	2,834	
25	Less: Administration Income	<u>8</u>	16	2,818
<u>2,765</u>				
11,456	Other Non Clinical Services	<u>7</u>	16,751	
16,842	Less: Other Operating Income	<u>8</u>	17,634	(883)
<u>(5,386)</u>				
0	Associates and Joint Ventures accounted for on an equity basis		(144)	
739,230	Net Operating Costs			768,564

OTHER COMPREHENSIVE NET EXPENDITURE

2015 £000		2016 £000
<u>(15,171)</u>	Net (gain) / loss on revaluation of Property Plant and Equipment	<u>(20,273)</u>
<u>(729)</u>	Net (gain) / loss on revaluation of available for sales financial assets	
<u>(15,900)</u>	Other Comprehensive Expenditure	<u>(20,273)</u>
723,330	Total Comprehensive Expenditure	748,291

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

NHS AYRSHIRE AND ARRAN
SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2016

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2016 £000	2016 £000
Net Operating Costs		768,564
Total Non Core Expenditure (see below)		(22,076)
FHS Non Discretionary Allocation		(41,478)
Donated Assets Income		907
Endowment Net Operating Costs		(2,440)
Associates and Joint Ventures accounted for on an equity basis		144
Total Core Expenditure		703,621
Core Revenue Resource Limit		703,686
Saving/(excess) against Core Revenue Resource Limit		65

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation / Amortisation	13,987	
Annually Managed Expenditure - Impairments	4,220	
Annually Managed Expenditure - Creation of Provisions	1,318	
Annually Managed Expenditure - Depreciation of Donated Assets	400	
Additional SGHSCD non-core funding	378	
IFRS PFI Expenditure	1,773	
Total Non Core Expenditure		22,076
Non Core Revenue Resource Limit		22,076
Saving / (excess) against Non Core Revenue Resource Limit		0

SUMMARY RESOURCE OUTTURN

	Resource £000	Expenditure £000	Saving / (Excess) £000
Core	703,686	703,621	65
Non Core	22,076	22,076	0
Total	725,762	725,697	65

NHS Ayrshire and Arran

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2016

Consolidated 2015 £000	Board 2015 £000		Note	Consolidated 2016 £000	Board 2016 £000
348,429	348,429	Property, plant and equipment	11d	395,386	395,386
0	0	Intangible assets	10a	0	0
12,563	0	Financial assets:			
0	0	Available for sale financial assets	14	10,646	0
27,350	27,350	Investments in associates and joint ventures		144	0
388,342	375,779	Trade and other receivables	13	23,390	23,390
		Total non-current assets		429,566	418,776
		Current Assets:			
3,849	3,849	Inventories	12	3,921	3,921
8,764	8,763	Financial assets:			
607	117	Trade and other receivables	13	11,887	12,358
0	0	Cash and cash equivalents	15	546	117
2,050	2,050	Available for sale financial assets	14	0	0
15,270	14,779	Assets classified as held for sale	11c	1,340	1,340
		Total current assets		17,694	17,736
403,612	390,558	Total assets		447,260	436,512
(15,750)	(15,750)	Current liabilities			
(54,411)	(54,349)	Provisions	17	(9,913)	(9,913)
(70,161)	(70,099)	Financial liabilities:			
		Trade and other payables	16	(52,113)	(52,061)
		Total current liabilities		(62,026)	(61,974)
333,451	320,459	Non-current assets plus / less net current assets / liabilities		385,234	374,538
(43,666)	(43,666)	Non-current liabilities			
(47,735)	(47,735)	Provisions	17	(46,973)	(46,973)
0	0	Financial liabilities:			
(91,401)	(91,401)	Trade and other payables	16	(72,117)	(72,117)
		Liabilities in associates and joint ventures		0	0
		Total non-current liabilities		(119,090)	(119,090)
242,050	229,058	Assets less liabilities		266,144	255,448
		Taxpayers' Equity			
153,445	153,445	General fund	SOCTE	161,635	161,635
75,613	75,613	Revaluation reserve	SOCTE	93,813	93,813
0	0	Other reserves - associates and joint ventures	SOCTE	144	0
12,992	0	Fund held on Trust	SOCTE	10,552	0
242,050	229,058	Total taxpayers' equity		266,144	255,448

Adopted by the Board on 21 June 2016

Derek Lindsay Director of Finance

G. Burns Chief Executive

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

NHS AYRSHIRE AND ARRAN

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2016

2015 £000		2016 £000	2016 £000
	Cash flows from operating activities		
(739,230)	Net operating cost	(768,564)	
16,333	Adjustments for non-cash transactions	17,476	
3,841	Add back: interest payable recognised in net operating cost	3,687	
(397)	Deduct: interest receivable recognised in net operating cost	(435)	
5,790	(Increase) / decrease in trade and other receivables	271	
(82)	(Increase) / decrease in inventories	(72)	
521	Increase / (decrease) in trade and other payables	(1,719)	
(6,826)	Increase / (decrease) in provisions	(2,530)	
<u>(720,050)</u>	Net cash outflow from operating activities	<u>32c</u>	<u>(751,886)</u>
	Cash flows from investing activities		
(36,191)	Purchase of property, plant and equipment	(43,798)	
(4,880)	Investment Additions	(1,085)	
1,611	Proceeds of disposal of property, plant and equipment	251	
4,149	Receipts from sale of investments	2,809	
397	Interest received	435	
<u>(34,914)</u>	Net cash outflow from investing activities	<u>32c</u>	<u>(41,388)</u>
	Cash flows from financing activities		
737,273	Funding	772,340	
2	Movement in general fund working capital	0	
737,275	Cash drawn down	772,340	
20,879	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	24,560	
(326)	Interest paid	(85)	
(3,515)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,602)	
<u>754,313</u>	Net Financing	<u>32c</u>	<u>793,213</u>
<u>(651)</u>	Net Increase / (decrease) in cash and cash equivalents in the period		<u>(61)</u>
<u>1,258</u>	Cash and cash equivalents at the beginning of the period		<u>607</u>
<u>607</u>	Cash and cash equivalents at the end of the period		<u>546</u>
	Reconciliation of net cash flow to movement in net debt/cash		
(651)	Increase / (decrease) in cash in year		(61)
1,258	Net debt / cash at 1 April		607
<u>607</u>	Net debt / cash at 31 March		<u>546</u>

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

NHS Ayrshire and Arran

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

CONSOLIDATED SOCIETY

	Note	General Fund £000	Revaluation Reserve £000	Other reserve - associates and joint ventures £000	Funds Held on Trust £000	Total Reserves £000
Balance at 31 March 2015		153,445	75,613	0	12,992	242,050
Prior year adjustments for changes in accounting policy and material errors	25					0
Restated balance at 1 April 2015		153,445	75,613	0	12,992	242,050
Changes in taxpayers' equity for 2015-16						
Net gain / (loss) on revaluation / indexation of property, plant and equipment	11a		20,273			20,273
Impairment of property, plant and equipment	11a		(2,181)			(2,181)
Revaluation & impairments taken to operating costs	3		2,226			2,226
Transfers between reserves		2,118	(2,118)			0
Net operating cost for the year		(766,268)		144	(2,440)	(768,564)
Total recognised income and expense for 2015-16		(764,150)	18,200	144	(2,440)	(748,246)
Funding:						
Drawn down		772,340				772,340
Balance at 31 March 2016	BS	161,635	93,813	144	10,552	266,144

CONSOLIDATED SOCIETY (PRIOR YEAR)

	Note	General Fund £000	Revaluation Reserve £000	Other reserve - associates and joint ventures £000	Funds Held on Trust £000	Total Reserves £000
Balance at 31 March 2014		151,250	67,648		12,203	231,101
Prior year adjustments for changes in accounting policy and material errors	25					0
Restated balance at 1 April 2015		151,250	67,648	0	12,203	231,101
Changes in taxpayers' equity for 2014-15						
Net gain / (loss) on revaluation / indexation of property, plant and equipment	11a		15,171			15,171
Net gain / (loss) on revaluation of available for sale financial assets	14		0		729	729
Impairment of property, plant and equipment	11a		(3,773)			(3,773)
Revaluation & impairments taken to operating costs	3		779			779
Transfers between reserves		4,212	(4,212)			0
Net operating cost for the year		(739,290)		0	60	(739,230)
Total recognised income and expense for 2014-15		(735,078)	7,965	0	789	(726,324)
Funding:						
Drawn down		737,275				737,275
Movement in General Fund (Creditor) / Debtor	CFS	(2)				(2)
Balance at 31 March 2015	BS	153,445	75,613	0	12,992	242,050

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

NOTES TO THE ACCOUNTS

Note 1 – 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 (IFRSs 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 current year

There are no new standards, amendments or interpretations effective for the first time this year.

(b) Standards, amendments and interpretation early adopted this year

There are no new standards, amendments or interpretations early adopted this year.

2. Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Ayrshire and Arran Health Board Endowment Fund.

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

Ayrshire and Arran Health Board Endowment Fund is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis. The accounts of the charity have been prepared in accordance with applicable UK accounting standards, the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005

(as amended) and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

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

Note 32 to the Annual Accounts, details how these consolidated Financial Statements have been calculated

In conjunction with the three Ayrshire Local Authorities, the Board has formed three Integration Joint Boards (IJBs), one each for their respective areas, under the terms of the Public Bodies (Joint Working) Scotland Act 2014.

These Integration Joint Boards are considered to be joint ventures under IAS 11 - Joint Arrangements, and as such they require the Board to account for their investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

The Board considers that there is joint control over the IJBs as no single party controls the arrangements on its own and this is considered a significant judgement made by the Board in relation to the operation of the IJBs.

3. Prior Year Adjustments

There have been no prior year adjustments made in the financial statements for this year.

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 an 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 at fair value.

6. Funding

6.1 NHS Ayrshire and Arran Board

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

Funding for the acquisition of 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.

6.2 Ayrshire and Arran Health Board Endowment Fund

All incoming resources are recognised once the Ayrshire and Arran Health Board Endowment Funds has received its entitlement to the resources, it is certain that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Legacies and donations to the Ayrshire and Arran Health Board Endowment Fund are accounted for as incoming resources upon receipt and classified as restricted or unrestricted based on the donors' stated wishes.

Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

All expenditure, including grants, is accounted for on an accruals basis and is only incurred where this will further the charitable objects of the Ayrshire and Arran Health Board Endowment Funds. All expenditure is recognised once there is a legal or constructive obligation committing the fund to the expenditure.

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 on an annual basis 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:

Gains and losses on revaluation are reported in the Statement of Comprehensive Net 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 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 (years)
Buildings Structure (Depreciated Replacement Cost)	3 to 72
Buildings Engineering (Depreciated Replacement Cost)	1 to 33
Buildings (Existing Use Value)	2 to 40
Moveable Engineering Plant	15
Furniture and Medium Life Equipment	10
Short/Medium Life Medical Equipment	7
Information Technology	5
Vehicles and Soft Furnishings	5
Office, Short Life Medical and Other Equipment	5

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 class of intangible asset recognised by the Board is shown below:

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 for software licences. These are amortised over the shorter term of the licence and their useful economic lives. Amortisation is charged on a straight line basis using an asset life of 5 years.

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 values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The 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 charge is allocated to each period during the lease term 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 Statement of Comprehensive Net Expenditure (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 is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

NHS Ayrshire and Arran 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.

NHS Ayrshire and Arran also provides for its liability from participating in the scheme. The participation in CNORIS provision recognises the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in A.M.E provision and is classed as non-core expenditure.

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 through the Private Finance Initiative or alternative initiatives such as HUB or the Non Profit Distributing 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 held by the Ayrshire and Arran Health Board Endowment Fund.

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 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 a causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Clinical and Medical Negligence Claims

The Board's accounting policy relating to the provision for clinical and medical negligence is described in section 18 above. The main elements of uncertainty relate to the timing of settlements which could be many years in the future, the probability of making a settlement and the value associated with these potential future settlements. The timing is based on an assessment made by the Board's litigation manager and financial controller at the end of each year. The assessment of probability is carried out by the Board's legal advisors, Central Legal Office (CLO) based on previous experience and records maintained on a national basis which is then reviewed by the litigation manager.

Estimated settlement values are based on initial claims received by the CLO and advised to the Board which are periodically updated by CLO using reports on expected Pursuer costs and cost of living indices.

Early Retirement and Injury Benefits

The Board has provided for the estimated future costs relating to early retirement and injury benefits. Reliance is placed on information provided by other parties in order to establish the value of such provisions. The Scottish Public Pensions Agency provides details of claimants and the amounts the Board is due to pay over. Future payments are estimated using a discount rate provided by HM Treasury and life tables provided by the Office for National Statistics (ONS). Any future significant changes to the discount rate or the life tables could have a material impact on the level of provision required.

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

2. (a) STAFF COSTS

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Seconded £000	Other Staff £000	Outward Seconded £000	2016 Total £000	2015 Total £000
STAFF COSTS								
Salaries and wages	633	130	302,473			(1,006)	302,230	301,655
Social security costs	79	4	24,207			(100)	24,190	23,356
NHS scheme employers' costs	91		39,619			(140)	39,570	35,221
Inward secondees				157			157	129
Agency staff					10,148		10,148	5,889
	803	134	366,299	157	10,148	(1,246)	376,295	366,250
Compensation for loss of office or early retirement	100		139				239	30
TOTAL	903	134	366,538	157	10,148	(1,246)	376,534	366,280

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

322	
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2. (b) HIGHER PAID EMPLOYEES REMUNERATION

	Clinicians		Other	
	2016 Number	2015 Number	2016 Number	2015 Number
Other employees whose remuneration fell within the following ranges:				
£ 50,001 to £ 60,000	184	146	31	42
£ 60,001 to £ 70,000	59	57	18	18
£ 70,001 to £ 80,000	54	32	9	8
£ 80,001 to £ 90,000	34	45	3	0
£ 90,001 to £ 100,000	36	49	1	3
£ 100,001 to £ 110,000	46	35	2	2
£ 110,001 to £ 120,000	30	40	1	1
£ 120,001 to £ 130,000	34	32	0	1
£ 130,001 to £ 140,000	26	22	1	0
£ 140,001 to £ 150,000	22	21	0	0
£ 150,001 to £ 160,000	17	16	0	0
£ 160,001 to £ 170,000	14	11	0	0
£ 170,001 to £ 180,000	6	7	0	0
£ 180,001 to £ 190,000	7	11	0	0
£ 190,001 to £ 200,000	4	2	0	0
£ 200,001 and above	5	5	0	0

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

3. OTHER OPERATING COSTS

2015 £000		Note	2016 £000
	Expenditure Not Paid In Cash		
15,792	Depreciation	11a	15,760
375	Depreciation Donated Assets	11b	400
313	Impairments on PPE charged to SOCNE	11a	1,716
(32)	Reversal of impairments on PPE charged to SOCNE	11a	
498	Loss on remeasurement of non-current assets held for sale	11c	510
(324)	Funding Of Donated Assets	11b	(907)
(289)	Loss/(Profit) on disposal of property, plant and equipment		(51)
	Investment in IJB		(144)
	Realised loss on investments		192
16,333	Total Expenditure Not Paid In Cash	CFS	17,476
	Interest Payable		
3,495	PFI Finance lease charges allocated in the year	23	3,585
20	Other Finance lease charges allocated in the year		17
326	Provisions - Unwinding of discount		85
3,841	Total		3,687
	Statutory Audit		
228	External auditor's remuneration and expenses		228

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2015 £000		2016 £000
	BY PROVIDER	
487,080	Treatment in Board area of NHSScotland Patients	506,544
55,897	Other NHSScotland Bodies	55,140
551	Health Bodies outside Scotland	425
5,338	Primary care bodies	5,843
5,681	Private sector	4,689
	Community Care	
6,325	Support Finance	41
24,903	Resource Transfer	43
0	Contribution of Health Board to Integration Joint Board	407,043
5,536	Contributions to Voluntary Bodies and Charities	5,629
591,311	Total NHSScotland Patients	985,397
680	Treatment of UK residents based outside Scotland	527
591,991	Total Hospital & Community Health Service	SOCNE 985,924

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

5. FAMILY HEALTH SERVICE EXPENDITURE

2015 TOTAL £000		Unified Budget £000	Non Disc £000	2016 TOTAL £000
53,822	Primary Medical Services	53,876	-	53,876
91,089	Pharmaceutical Services	80,544	13,532	94,076
28,950	General Dental Services	2,463	25,606	28,069
7,691	General Ophthalmic Services	241	7,630	7,871
181,552	Total	137,124	46,768	183,892

SOCNE

6. ADMINISTRATION COSTS

2015 £000			2016 £000
1,051	Board members' remuneration	<u>Note 2(a)</u>	1,037
95	Administration of Board Meetings and Committees		95
437	Corporate Governance and Statutory Reporting		447
454	Health Planning, Commissioning and Performance Reporting		441
187	Treasury Management and Financial Planning		224
343	Public Relations		368
223	Other		222
2,790	Total administration costs	<u>SOCNE</u>	2,834

7. OTHER NON CLINICAL SERVICES

2015 £000			2016 £000
26	Closed hospital charges		10
246	Compensation payments - Clinical		4,451
500	Compensation payments - Other		343
798	Pension enhancement & redundancy		193
186	Patients' Travel Attending Hospitals		210
10	Patients' Travel Highlands and Islands scheme		8
2,876	Health Promotion		2,883
2,131	Public Health		1,897
118	Emergency Planning		104
84	Post Graduate Medical Education		96
2,537	Shared Services		2,479
1,604	Endowment Expenditure		4,057
340	Other		20
11,456	Total Other Non Clinical Services	<u>SOCNE</u>	16,751

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

8. OPERATING INCOME

2015		2016
£000		£000
	Hospital and Community Health Services Income	
	NHSScotland Bodies	
24,267	Boards	26,480
680	NHS Non-Scottish Bodies	527
	Non NHS	
151	Private Patients	141
904	Compensation Income	881
58	Other Hospital and Community Health Services income	79
	Income for services commissioned by Integration Joint Board	369,536
26,060	Total Hospital and Community Health Services Income	SOCNE 397,644
	Family Health Service Income	
519	Unified	109
	Non Discretionary	
5,113	General Dental Services	5,290
5,632	Total Family Health Services Income	SOCNE 5,399
25	Administration Income	SOCNE 16
	Other Operating Income	
289	Profit on disposal of non current assets	51
324	Donated Asset Additions	907
2,426	Shared Services	2,518
1,664	Endowment Income	1,617
12,139	Other	12,541
16,842	Total Other Operating Income	SOCNE 17,634
48,559	Total Income	420,693
27,373	Of the above, the amount derived from NHS bodies is	29,525

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

9. ANALYSIS OF CAPITAL EXPENDITURE

2015 £000		Note	2016 £000
	EXPENDITURE		
36,641	Acquisition of Property, plant and equipment	11a	43,608
324	Donated Asset Additions	11b	907
36,965	Gross Capital Expenditure		44,515
	INCOME		
1,322	Value of disposal of Non-Current Assets held for sale	11c	200
324	Donated Asset Income		907
1,646	Capital Income		1,107
35,319	Net Capital Expenditure		43,408

SUMMARY OF CAPITAL RESOURCE OUTTURN

13,939	Core capital expenditure included above	18,257
13,941	Core Capital Resource Limit	18,258
2	Saving / (excess) against Core Capital Resource Limit	1
21,380	Non Core capital expenditure included above	25,151
21,380	Non Core Capital Resource Limit	25,151
0	Saving / (excess) against Non Core Capital Resource Limit	0
35,319	Total Capital Expenditure	43,408
35,321	Total Capital Resource Limit	43,409
2	Saving / (excess) against Total Capital Resource Limit	1

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

10a. INTANGIBLE ASSETS (NON-CURRENT) - CONSOLIDATED AND BOARD

	2015	2016
	Software	Software
	Licences	Licences
	£000	£000
Cost or Valuation:		
At 1 April	21	21
At 31 March	21	21
Amortisation		
At 1 April	21	21
At 31 March	21	21
Net book value at 1 April	0	0
Net book value at 31 March	0	0

B S

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - CONSOLIDATED AND BOARD

	Land (including under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation									
At 1 April 2015	18,728	278,869	2,447	192	73,369	28,879	9,690	32,748	444,922
Additions	0	9,689	0	0	2,929	427	347	30,236	43,508
Completions	0	8,598	0	0	0	0	0	(8,598)	0
Transfers	0	107	(107)	0	0	0	0	0	0
Revaluation	(2,005)	12,681	32	0	0	0	0	0	10,688
Impairment Charge	0	0	0	0	0	0	0	(1,663)	(1,663)
Disposals	0	0	0	0	(1,521)	(30)	0	0	(1,551)
At 31 March 2016	16,723	309,904	2,372	192	74,777	29,276	10,037	52,723	496,004
Depreciation									
At 1 April 2015	0	592	0	192	64,221	26,012	8,453	0	99,470
Provided during the year	0	9,422	79	0	4,801	1,260	198	0	15,760
Revaluation	0	(9,363)	(79)	0	0	0	0	0	(9,442)
Impairment Charge	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,521)	(30)	0	0	(1,551)
At 31 March 2016	0	651	0	192	67,509	27,242	8,651	0	104,245
Net book value at 1 April 2015	18,728	278,277	2,447	0	9,148	2,867	1,237	32,748	345,452
Net book value at 31 March 2016	16,723	309,253	2,372	0	7,268	2,034	1,386	52,723	391,759
B S									
Open Market Value of Land in Land and Dwellings Included Above	7,693		0						
Asset financing:									
Owned	16,723	273,264	2,372	0	7,256	2,034	1,386	6,192	309,227
Finance leased	0	1,613	0	0	0	0	0	0	1,613
On-balance sheet PFI contracts	0	34,376	0	0	12	0	0	46,531	80,919
Net book value at 31 March 2016	16,723	309,253	2,372	0	7,268	2,034	1,386	52,723	391,759

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

	Land (including under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation									
At 1 April 2014	18,878	271,324	2,461	192	71,221	27,492	9,630	4,236	405,434
Additions	0	4,281	0	0	2,210	1,387	60	28,703	36,641
Revaluation	0	6,108	(14)	0	0	0	0	0	6,094
Impairment Charge	(150)	(2,844)	0	0	0	0	0	(191)	(3,185)
Disposals	0	0	0	0	(62)	0	0	0	(62)
At 31 March 2015	18,728	278,869	2,447	192	73,369	28,879	9,690	32,748	444,922
Depreciation									
At 1 April 2014	0	528	0	192	60,285	25,078	6,551	0	92,634
Provided during the year	0	8,677	81	0	3,998	934	1,902	0	15,792
Revaluation	0	(8,903)	(81)	0	0	0	0	0	(8,984)
Impairment Charge	0	122	0	0	0	0	0	0	122
Impairment Reversal	0	(32)	0	0	0	0	0	0	(32)
Disposals	0	0	0	0	(62)	0	0	0	(62)
At 31 March 2015	0	592	0	192	64,221	26,012	8,453	0	99,470
Net book value at 1 April 2014	18,878	270,796	2,461	0	10,936	2,414	3,079	4,236	312,800
Net book value at 31 March 2015	18,728	278,277	2,447	0	9,148	2,867	1,237	32,748	345,452
B S									
Open Market Value of Land in Land and Dwellings Included Above	9,698								
Asset financing:									
Owned	18,728	243,825	2,447	0	9,148	2,867	1,237	11,368	289,820
Finance leased	0	1,675	0	0	0	0	0	0	1,675
On-balance sheet PFI contracts	0	32,777	0	0	0	0	0	21,380	54,157
Net book value at 31 March 2015	18,728	278,277	2,447	0	9,148	2,867	1,237	32,748	345,452

In previous years the Board showed impairment charges to the SOCNE for Assets Under Construction in the depreciation section of the above note, as agreed with the external auditors. In 2015/16 the accounts template Issued by Scottish Government was revised to require all such impairments to be shown in the costs section. This change has no effect on the net book value of the assets concerned but required a change to the disclosure of the comparative figures shown in this note.

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

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

	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2015	1,536	81	4,988	17	112	0	6,734
Additions	275	0	123	0	0	509	907
Revaluation	95	0	0	0	0	0	95
At 31 March 2016	1,906	81	5,111	17	112	509	7,736
Depreciation							
At 1 April 2015	0	81	3,547	17	112	0	3,757
Provided during the year	48	0	352	0	0	0	400
Revaluation	(46)	0	0	0	0	0	(46)
At 31 March 2016	0	81	3,899	17	112	0	4,109
Net book value at 1 April 2015	1,536	0	1,441	0	0	0	2,977
Net book value at 31 March 2016	1,906	0	1,212	0	0	509	3,627
B S	1,906	0	1,212	0	0	509	3,627
Asset financing:							
Owned	1,906	0	1,212	0	0	509	3,627
Net book value at 31 March 2016	1,906	0	1,212	0	0	509	3,627

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

	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation							
Net book value at 1 April 2014	1,489	81	4,664	17	112	0	6,363
Additions	0	0	324	0	0	0	324
Revaluation	47	0	0	0	0	0	47
Net book value at 31 March 2015	1,536	81	4,988	17	112	0	6,734
Depreciation							
Net book value at 1 April 2014	0	80	3,229	17	102	0	3,428
Provided during the year	46	1	318	0	10	0	375
Revaluation	(46)	0	0	0	0	0	(46)
Net book value at 31 March 2015	0	81	3,547	17	112	0	3,757
Net book value at 1 April 2014	1,489	1	1,435	0	10	0	2,935
Net book value at 31 March 2015	1,536	0	1,441	0	0	0	2,977
B S	1,536	0	1,441	0	0	0	2,977
Asset financing:							
Owned	1,536	0	1,441	0	0	0	2,977
Net book value at 31 March 2015	1,536	0	1,441	0	0	0	2,977

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

11 (c). ASSETS HELD FOR SALE

The following assets related to former resource centres and health centre/clinic sites have been presented as held for sale following the approval for sale by the NHS Board. The completion date for sale is expected to be prior to the 31st March 2017. The following are held for sale; Strathlea Resource Centre, Girvan Health Centre, and Heathfield Site. Nightingale House/Seafeld OPD were the only two properties sold in 2015/16

ASSETS HELD FOR SALE - CONSOLIDATED AND BOARD

		2015 Property, Plant & Equipment £000	2016 Property, Plant & Equipment £000
At 1 April		3,870	2,050
Transfers (to) / from property, plant and equipment	11a		
Transfers (to) / from intangible assets	10		
Gain or losses recognised on remeasurement of non-current assets held for sale		(498)	(510)
Disposals of non-current assets held for sale		(1,322)	(200)
At 31 March	BS	2,050	1,340

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2015 £000	Board 2015 £000		Consolidated 2016 £000	Board 2016 £000
		Net book value of property, plant and equipment at 31 March		
345,452	345,452	Purchased	11a 391,759	391,759
2,977	2,977	Donated	11b 3,627	3,627
348,429	348,429	Total	B S 395,386	395,386
9,698	9,698	Net book value related to land valued at open market value at 31 March	7,693	7,693
25,345	25,345	Net book value related to buildings valued at open market value at 31 March	25,166	25,166
1,675	1,675	Total value of assets held under:	1,613	1,613
54,157	54,157	Finance Leases	80,919	80,919
		PFI and PPP Contracts		
55,832	55,832		82,532	82,532
61	61	Total depreciation charged in respect of assets held under:	61	61
1,622	1,622	Finance leases	1,773	1,773
		PFI and PPP contracts		
1,683	1,683		1,834	1,834

Property was fully revalued by an independent valuer, The Valuation Office Agency at 31st March 2016 on the basis of fair value (market value or depreciated replacement cost where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS. The net impact was an increase in value of £20.319m, (2014/15 increase of £12.177m) which was credited to the revaluation reserve. Impairment of £2.218m (2014/15 £0.779m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

The net impact was an increase in value of £18,101k, of which £20,319k was charged to the revaluation reserve.

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

12. INVENTORIES

Consolidated 2015 £000	Board 2015 £000		Consolidated 2016 £000	Board 2016 £000
3,849	3,849	Raw Materials and Consumables	3,921	3,921
3,849	3,849	Total Inventories	B S 3,921	3,921

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

13. TRADE AND OTHER RECEIVABLES

Consolidated 2015 £000	Board 2015 £000		Note	Consolidated 2016 £000	Board 2016 £000
894	894	Receivables due within one year			
		NHSScotland			
		Boards		943	943
894	894	Total NHSScotland Receivables		943	943
98	98	NHS Non-Scottish Bodies		127	127
565	565	VAT recoverable		590	590
965	965	Prepayments		1,672	1,672
1,914	1,914	Accrued income		2,466	2,466
2,863	2,862	Other Receivables		3,784	4,255
1,462	1,462	Reimbursement of provisions		2,305	2,305
3	3	Other Public Sector Bodies		0	0
8,764	8,763	Total Receivables due within one year	B S	11,887	12,358
		Receivables due after more than one year			
		NHSScotland			
27,350	27,350	Reimbursement of Provisions		23,390	23,390
27,350	27,350	Total Receivables due after more than one year	B S	23,390	23,390
36,114	36,113	TOTAL RECEIVABLES		35,277	35,748
46	46	The total receivables figure above includes a provision for impairments of :		1,104	1,104
		WGA Classification			
894	894	NHSScotland		943	943
851	851	Central Government Bodies		350	350
841	841	Whole of Government Bodies		725	725
98	98	Balances with NHS Bodies in England and Wales		127	127
33,430	33,429	Balances with bodies external to Government		33,132	33,603
36,114	36,113	Total		35,277	35,748
2015 £000	2015 £000	Movements on the provision for impairment of receivables are as follows:		2016 £000	2016 £000
61	61	At 1 April		46	46
7	7	Provision for impairment		1,065	1,065
(22)	(22)	Receivables written off during the year as uncollectable		(21)	(21)
0	0	Unused amounts reversed		14	14
46	46	At 31 March		1,104	1,104
2015 £000	2015 £000	As of 31 March 2016, receivables with a carrying value of £1,104k (2015: £46k) were impaired and provided for. The amount of the provision was £1,104k(2015: £46k). The ageing of these receivables is as follows:		2016 £000	2016 £000
5	5	3 to 6 months past due		1,087	1,087
41	41	Over 6 months past due		17	17
46	46			1,104	1,104

The receivables assessed as individually impaired were mainly , overseas patients,dental patients, Employees and former employees and private individuals and it was assessed that not all of the receivable balance may be recovered. Additionally, a further impairment of £1,065k has been made to offset the prepayment of public holiday entitlement used in advance.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2016, receivables with a carrying value of £2458k (2015: £2419k) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

13. TRADE AND OTHER RECEIVABLES

2015 £000	2015 £000
2,419	2,419
5	5
59	59
2,483	2,483

Up to 3 months past due
3 to 6 months past due
Over 6 months past due

2016 £000	2016 £000
2,458	2,458
87	87
101	101
2,646	2,646

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

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

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

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

2015 £000	2015 £000
2,483	2,483
2,483	2,483

Counterparties with external credit ratings
Existing customers with no defaults in the past

Total neither past due or impaired

2016 £000	2016 £000
2,646	2,646
2,646	2,646

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

2015 £000	2015 £000
36,114	36,113
36,114	36,113

The carrying amount of receivables are denominated in the following currencies:
Pounds

2016 £000	2016 £000
35,277	35,748
35,277	35,748

All non-current receivables relate to recoveries under the CNORIS Scheme which makes payments to Boards when the associated Provisions are settled. These are normally between 2 and 5 years but can be considerably longer

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

The fair value of long term other receivables is £Nil (2014-15: £Nil).

The effective interest rate on non-current other receivables is 0.0% (2014-15: 0.0%). Pension liabilities are discounted at 1.37% (2014-15: 1.3%).

NHS AYRSHIRE AND ARRAN

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14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 2015 £000	Board 2015 £000		Consolidated 2016 £000	Board 2016 £000
388		Government securities	0	
12,175		Other	10,646	
12,563	0	TOTAL	BS 10,646	0
11,102		At 1 April	12,563	0
4,880		Additions	1,085	
(4,148)		Disposals	(2,467)	
729		Revaluation surplus / (deficit) transferred to equity	(535)	
12,563	0	At 31 March	10,646	0
12,563		Non-current	BS 10,646	
12,563	0	At 31 March	10,646	0
		The carrying value includes an impairment provision of		

NHS Ayrshire and Arran is entitled to recover the full economic cost of activity within the HUB South West Scotland and has no requirement to under-write any reported trading losses of the company or its special purpose vehicles. The carrying amount of the investment is cost less impairment as there is no active market for this equity investment in HUB South West Scotland Ltd.

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

15. CASH AND CASH EQUIVALENTS

	Note	At 1 April 2015 £000	Cash Flow £000	At 31 March 2016 £000
Government Banking Service account balance		94	0	94
Cash at bank and in hand		23	0	23
Endowment Cash		490	(61)	429
Total cash and cash equivalents - balance sheet	B S	607	(61)	546
Total cash - cash flow statement		607	(61)	546
		<u>CFS</u>		<u>CFS</u>

CASH AND CASH EQUIVALENTS - PRIOR YEAR

	Note	At 1 April 2014 £000	Cash Flow £000	At 31 March 2015 £000
Government Banking Service account balance		92	2	94
Cash at bank and in hand		23	0	23
Endowment Cash		1,143	(653)	490
Total cash and cash equivalents - balance sheet	B S	1,258	(651)	607
Total cash - cash flow statement		1,258	(651)	607
		<u>CFS</u>		<u>CFS</u>

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

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

16. TRADE AND OTHER PAYABLES

Consolidated 2015 £000	Board 2015 £000		Note	Consolidated 2016 £000	Board 2016 £000
3,810	3,810	Payables due within one year			
3,810	3,810	NHSScotland			
		Boards		2,805	2,805
		Total NHSScotland Payables		2,805	2,805
20	20	NHS Non-Scottish Bodies		0	0
117	117	Amounts Payable to General Fund		117	117
14,522	14,522	FHS Practitioners		14,076	14,076
4,566	4,566	Trade Payables		958	958
17,489	17,489	Accruals		19,629	19,629
306	306	Deferred income		228	228
16	16	Net obligations under Finance Leases	22	16	16
709	709	Net obligations under PPP / PFI Contracts	23	886	886
6,801	6,801	Income tax and social security		6,923	6,923
4,887	4,887	Superannuation		5,404	5,404
273	273	Holiday Pay Accrual		223	223
2	2	VAT			
454	454	EC Carbon Emissions		455	455
439	377	Other payables		393	341
54,411	54,349	Total Payables due within one year	B S	52,113	52,061
		Payables due after more than one year			
		NHSScotland			
17	17	Net obligations under Finance Leases due within 2 years	22	17	17
60	60	Net obligations under Finance Leases due after 2 years but within 5 years	22	60	60
211	211	Net obligations under Finance Leases due after 5 years	22	211	211
892	892	Net obligations under PPP / PFI Contracts due within 2 years	23	1,026	1,026
3,808	3,808	Net obligations under PPP / PFI Contracts due after 2 years but within 5 years	23	4,686	4,686
41,574	41,574	Net obligations under PPP / PFI Contracts due after 5 years	23	64,945	64,945
1,173	1,173	Deferred income		1,172	1,172
47,735	47,735	Total Payables due after more than one year	B S	72,117	72,117
102,146	102,084	TOTAL PAYABLES		124,230	124,178
		WGA Classification			
		NHSScotland		2,805	2,805
		Central Government Bodies		12,329	12,329
		Whole of Government Bodies		11	11
		Balances with NHS Bodies in England and Wales		0	0
		Balances with bodies external to Government		109,085	109,033
		Total		124,230	124,178
		Borrowings included above comprise:			
£000	£000	Finance Leases		£000	£000
304	304	PFI Contracts		304	304
46,983	46,983			71,543	71,543
47,287	47,287			71,847	71,847
		The carrying amount and fair value of the non-current borrowings are as follows			
2015	2015	Carrying amount		2016	2016
£000	£000	Finance Leases		£000	£000
288	288	PFI Contracts		288	288
46,274	46,274			70,657	70,657
46,562	46,562			70,945	70,945
		The carrying amount and fair value of the non-current borrowings are as follows			
2015	2015	Fair value		2016	2016
£000	£000	Finance Leases		£000	£000
288	288	PFI Contracts		288	288
46,274	46,274			70,657	70,657
46,562	46,562			70,945	70,945
		The carrying amount of short term payables approximates their fair value.			
2015	2015	The carrying amount of payables are denominated in the following currencies:		2016	2016
£000	£000	Pounds		£000	£000
102,146	102,084			124,230	124,178
102,146	102,084			124,230	124,178

NHS Ayrshire and Arran

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FOR THE YEAR ENDED 31 MARCH 2016

17. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations £000	Clinical & Medical Legal Claims against NHS Board £000	Participation in CNORIS £000	Other (non-endowment) £000	2016 TOTAL £000
At 1 April 2015	7,568	29,048	22,266	534	59,416
Arising during the year	266	7,157	6,560	114	14,087
Utilised during the year	(565)	(2,071)	(2,058)	(98)	(4,792)
Unwinding of discount	(45)		(40)		(85)
Reversed unutilised	(156)	(6,892)	(4,575)	(117)	(11,740)
At 31 March 2016	7,058	27,242	22,153	433	56,886

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2016

	Pensions and similar obligations £000	Clinical & Medical Legal Claims against NHS Board £000	Participation in CNORIS £000	Other (non-endowment) £000	2016 TOTAL £000	
Payable in one year	543	2,527	6,412	431	9,913	B S
Payable between 2 - 5 years	6,515	24,715	8,730	2	39,962	
Payable between 6 - 10 years			819		819	
Thereafter	0	0	6,192	0	6,192	B S
At 31 March 2016	7,058	27,242	22,153	433	56,886	

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations £000	Clinical & Medical Legal Claims against NHS Board £000	Participation in CNORIS £000	Other (non-endowment) £000	2015 TOTAL £000
At 1 April 2014	7,389	33,431	25,264	158	66,242
Arising during the year	516	5,170		661	6,347
Utilised during the year	(590)	(2,613)		(263)	(3,466)
Unwinding of discount	326				326
Reversed unutilised	(73)	(6,940)	(2,998)	(22)	(10,033)
At 31 March 2015	7,568	29,048	22,266	534	59,416

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2015

	Pensions and similar obligations £000	Clinical & Medical Legal Claims against NHS Board £000	Participation in CNORIS £000	Other (non-endowment) £000	2015 TOTAL £000	
Payable in one year	583	1,506	13,137	524	15,750	B S
Payable between 2 - 5 years	6,985	27,542	9,129	10	43,666	
At 31 March 2015	7,568	29,048	22,266	534	59,416	

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury Discount Rate of 1.37% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical & Medical Legal Claims against NHS Board

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 decide upon risk liability and likely outcomes 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 ten 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.

Participation in CNORIS

The Board is required to participate in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and the above provision relates to its share of future settlements. Further details are given in Note 17(b).

Other (non-endowment)

This relates to provisions for employer or public liability claims which are processed in the same manner as clinical and medical negligence claims described above by the Scottish NHS Central Legal Office with provisions shown gross and the amount of any expected reimbursements shown separately as debtors in the notes to the accounts. The provisions are expected to be settled within the next 2 years.

NHS AYRSHIRE AND ARRAN
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FOR THE YEAR ENDED 31 MARCH 2016

17b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2015 £000		Note	2016 £000
29,475	Provision recognising individual claims against the NHS Board as at 31 March	17	27,568
(28,812)	Associated CNORIS receivable at 31 March	13	(25,695)
22,266	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	22,153
<u>22,929</u>	Net Total Provision relating to CNORIS at 31 March		24,026

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

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

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

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

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

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

18. MOVEMENT ON WORKING CAPITAL BALANCES - BOARD

2015 Net Movement £000		Note	Opening Balances £000	Closing Balances £000	2016 Net Movement £000
	INVENTORIES				
(82)	Balance Sheet	12	3,849	3,921	
(82)	Net Decrease / (Increase)				(72)
	TRADE AND OTHER RECEIVABLES				
10,053	Due within one year	13	8,763	12,358	
(4,272)	Due after more than one year	13	27,350	23,390	
			36,113	35,748	
5,781	Net Decrease / (Increase)				365
	TRADE AND OTHER PAYABLES				
1,145	Due within one year	16	54,349	52,061	
20,698	Due after more than one year	16	47,735	72,117	
(450)	Less: Property, Plant & Equipment (Capital) included in above		(1,019)	(829)	
(2)	Less: General Fund Creditor included in above	16	(117)	(117)	
(20,879)	Less: Lease and PFI Creditors included in above	16	(47,287)	(71,847)	
			53,661	51,385	
512	Net (Decrease) / Increase				(2,276)
	PROVISIONS				
(6,826)	Balance Sheet	17	59,416	56,886	
(6,826)	Net (Decrease) / Increase				(2,530)
(615)	NET MOVEMENT (Decrease) / Increase	CFS			(4,513)

The consolidated movement in working capital is shown in Note 32c.

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

19. CONTINGENT LIABILITIES

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

2015 £000	Nature	2016 £000
6,462	Clinical and medical compensation payments	15,431
127	Employer's liability	218
26	Third party liability	31
6,615	TOTAL CONTINGENT LIABILITIES	15,680
CONTINGENT ASSETS		
2,365	Clinical and medical compensation payments	14,790
0	Employer's liability	25
2,365		14,815

20. EVENTS AFTER THE END OF THE REPORTING YEAR

There are no events after the end of the reporting period which would have a material effect on the accounts.

21. COMMITMENTS

2015 £000	Capital Commitments	Property, plant and equipment 2016 £000
	The Board has the following Capital Commitments which have not been provided for in the accounts	
	Contracted	
12,121	Building for Better Care	5,232
87	North Ayrshire Community Hospital Adviser Fees	45
12,208	Total	7,293
	Authorised but not Contracted	
750	Crosshouse Hospital Value Adding	750
540	Capital to Save on Revenue - Energy Schemes	200
130	Biggart management of Road Risk	115
104	ACH 5th Steriliser	0
60	UHC Car Parking	0
0	UHC Endoscopy	1,268
0	UHA Aseptic Suite	350
1,584	Total	2,683

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

22. COMMITMENTS UNDER LEASES

2015	Operating Leases	Note	2016
£000	Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.		£000
	Obligations under operating leases comprise:		
	Land		
10	Not later than one year		10
10	Later than one year, not later than 2 years		10
29	Later than two year, not later than five years		29
84	Later than five years		74
	Buildings		
46	Not later than one year		45
35	Later than one year, not later than 2 years		51
41	Later than two year, not later than five years		0
	Other		
205	Not later than one year		126
	Amounts charged to Operating Costs in the year were:		
205	Hire of equipment (including vehicles)		126
70	Other operating leases		67
275	Total		193
	Finance Leases		
	Total future minimum lease payments under finance leases are given in the table below for the each of the following periods.		
	Obligations under Finance leases comprise:		
	Buildings		
33	Rentals due within one year	16	33
33	Rentals due between one and two years (inclusive)	16	33
99	Rentals due between two and five years (inclusive)	16	99
256	Rentals due after five years	16	256
421			421
(117)	Less interest element		(117)
304			304
	This total net obligation under finance leases is analysed in Note 16 (Payables)		
	Aggregate Rentals Receivable in the year		
222	Total of finance & operating leases		209

NHS Ayrshire and Arran

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FOR THE YEAR ENDED 31 MARCH 2016

23. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

East Ayrshire Community Hospital is situated in the town of Cumnock. The facility provides Inpatient beds, Elderly Mental Ill, and GP Acute; there are day facilities for Frail Elderly and Elderly Mental Ill and Outpatient Clinics (including AHP's). At the end of the 25 year contract period, negotiations will have been undertaken to determine future options available for the site.

Ayrshire Maternity Unit is adjoined to University Hospital Crosshouse in Kilmarnock. The facility provides Area Midwifery services for in-patients, day patients, and out-patients. The 30 year contract commenced in July 2006 and will be completed in July 2036. At the end of the contract period, the building is available to transfer to the NHS at no additional cost.

Woodland View (formerly North Ayrshire Community Hospital) - Year 1 & 2 recognition of Non-Profit Distributing (NPD) element of Work in Progress. Mental Health and Frail Elderly In-patient facility due to reach practical completion in April 2016, with the first patient due to move into the facility in May 2016.

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:

2015 £000	Gross Minimum Lease Payments	EACH £000	AMU £000	Woodland View £000	2016 TOTAL £000
3,642	Rentals due within 1 year	1,867	1,890	0	3,757
3,745	Due within 1 to 2 years	1,903	1,890	0	3,793
11,390	Due within 2 to 5 years	6,013	5,616	0	11,629
60,070	Due after 5 years	5,429	29,434	46,531	81,394
78,847	Total	15,212	38,830	46,531	100,573

2015 £000	Less Interest Element	EACH £000	AMU £000	Woodland View £000	2016 TOTAL £000
(2,933)	Rentals due within 1 year	(1,401)	(1,470)	0	(2,871)
(2,853)	Due within 1 to 2 years	(1,297)	(1,470)	0	(2,767)
(7,582)	Due within 2 to 5 years	(2,930)	(4,013)	0	(6,943)
(18,496)	Due after 5 years	(918)	(15,531)	0	(16,449)
(31,864)	Total	(6,546)	(22,484)	0	(29,030)

2015 £000	Present value of minimum lease payments	EACH £000	AMU £000	Woodland View £000	2016 TOTAL £000
709	Rentals due within 1 year	466	420	0	886
892	Due within 1 to 2 years	606	420	0	1,026
3,808	Due within 2 to 5 years	3,083	1,603	0	4,686
41,574	Due after 5 years	4,511	13,903	46,531	64,945
46,983	Total	8,666	16,346	46,531	71,543

2015 Total £000		2016 Total £000
1,779	Service charges	1,813
3,495	Interest charges	3,585
	Other charges	
5,274	Total	5,398

2015 £000		2016 £000
146	Contingent rents (included in Other charges)	121

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 £39.6m were payable to the SPPA (prior year £35.2m) at the rate of 14.9% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £293K (prior year £769K) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £1.4 billion to be met by future contributions from employing authorities.

Provisions amounting to £1.8m 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 the Consumer Price 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.

Arrangements from 2008:

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.

	2016 £000	2015 £000
Pension cost charge for the year	39,570	35,221
Additional Costs arising from early retirement	293	769
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,764	1,934

NHS Ayrshire and Arran
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25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

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

26. RESTATED FINANCIAL STATEMENTS

There are no restated financial statements requiring disclosure.

27. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

CONSOLIDATED

	Note	Loans and Receivables £000	Available for sale £000	Total £000
At 31 March 2016				
Assets per balance sheet				
Investments	14		10,646	10,646
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	6,377		6,377
Cash and cash equivalents	15	546		546
		6,923	10,646	17,569

BOARD

	Note	Loans and Receivables £000	Available for sale £000	Total £000
At 31 March 2016				
Assets per balance sheet				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	6,848		6,848
Cash and cash equivalents	15	117		117
		6,965	0	6,965

CONSOLIDATED (Prior Year)

	Note	Loans and Receivables £000	Available for sale £000	Total £000
At 31 March 2015				
Assets per balance sheet				
Investments	14		12,563	12,563
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	4,878		4,878
Cash and cash equivalents	15	607		607
		5,485	12,563	18,048

BOARD (Prior Year)

	Note	Loans and Receivables £000	Available for sale £000	Total £000
At 31 March 2015				
Assets per balance sheet				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	4,877		4,877
Cash and cash equivalents	15	117		117
		4,994	0	4,994

NHS AYRSHIRE AND ARRAN
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27. FINANCIAL INSTRUMENTS (cont.)

Financial Liabilities

CONSOLIDATED

	Note	Other financial liabilities £000
At 31 March 2016		
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	71,543
Derivative financial instruments	<u>28</u>	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>	35,851
		<hr/>
		107,698

BOARD

	Note	Other financial liabilities £000
At 31 March 2016		
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	71,543
Derivative financial instruments	<u>28</u>	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>	35,799
		<hr/>
		107,646

CONSOLIDATED (Prior Year)

	Note	Other financial liabilities £000
At 31 March 2015		
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	46,983
Derivative financial instruments	<u>28</u>	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	<u>16</u>	37,880
		<hr/>
		85,167

BOARD (Prior Year)

	Note	Other financial liabilities £000
At 31 March 2015		
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	46,983
Derivative financial instruments	<u>28</u>	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	<u>16</u>	37,818
		<hr/>
		85,105

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 an 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 £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2016				
PFI Liabilities	3,757	3,793	11,629	81,394
Finance lease liabilities	33	33	99	256
Trade and other payables excluding statutory liabilities	35,851			
Total	39,641	3,826	11,728	81,650

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2015				
PFI Liabilities	3,642	3,745	11,390	60,070
Finance lease liabilities	33	33	99	256
Trade and other payables excluding statutory liabilities	37,880			
Total	41,555	3,778	11,489	60,326

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 currency risk.

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 appropriate 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 (Consolidated and Board)

There are no derivative financial instruments in 2015/16 or prior years.

29. RELATED PARTY TRANSACTIONS

NHS Ayrshire and Arran is a sponsored body of the Scottish Government Health and Social Care Directorate which is regarded as a related party.

Ayrshire and Arran Endowment Funds are managed by Trustees who are also Directors of the Board (as notified in the Remuneration report) and is therefor a related party. During the year the Board received payments from Endowments of £1,841k and made payments of £250k with a balance of £597k due to the Board outstanding at year end. Additionally, £907k was received in the form of Donated assets and these are shown as income in Note 8 and additions in note 11(b).

East Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £115,694k, and made payments to the IJB of £127,992k. There is an outstanding balance of £144k at the year end, being the Board's share of the IJB surplus.

North Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £134,694k, and made payments to the IJB of £146,968k. There is no outstanding balance at the year end.

South Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £119,148k, and made payments to the IJB of £130,968k. There is no outstanding balance at the year end.

The following Board members are also members of the Integration Joint Board shown:

Ms Lesley Bowie - Member of South Ayrshire Integration Joint Board, Mr John Callaghan - Vice Chair of South Ayrshire Integration Joint Board (until 30/9/2015), Mr Stewart Donnelly - Vice Chair of South Ayrshire Integration Joint Board (from 1/10/2015), Ms Claire Gilmore - Member of South Ayrshire Integration Joint Board.
Mr Bob Martin - Member of North Ayrshire Integration Joint Board, Dr Janet McKay - Member of North Ayrshire Integration Joint Board, Mr Stephen McKenzie - Vice Chair of North Ayrshire Integration Joint Board.
Mr Alistair McKie - Member of East Ayrshire Integration Joint Board, Mr Douglas Reid - Member of East Ayrshire Integration Joint Board, Mr Ian Welsh - Chair of East Ayrshire Joint Integration Board.
Dr Carol Davidson - Member of North Ayrshire Integration Joint Board and Member of South Ayrshire Integration Joint Board, Dr Alison Graham - Member of East Ayrshire Integration Joint Board.

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

30. SEGMENT INFORMATION

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

	Acute	Health & Social Care Partnerships	Corporate	
Note	£000	£000	£000	2016 £000
Net operating cost *	312,529	349,812	106,223	768,564

30. SEGMENT INFORMATION - PRIOR YEAR

	Acute	Health & Social Care Partnerships	Corporate	
Note	£000	£000	£000	2015 £000
Net operating cost *	297,397	340,241	101,592	739,230

31. THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' 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.

	2015 £000	Gross Inflows £000	Gross Outflows £000	2016 £000
Monetary amounts such as bank balances and monies on deposit	732	412	(501)	643

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

32a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group 2015 £000		Board 2016 £000	Endowment 2016 £000	Intra Group adjustment 2016 £000	Integration Joint Board (Joint Ventures)			Consolidated 2016 £000
					East Ayrshire 2016 £000	North Ayrshire 2016 £000	South Ayrshire 2016 £000	
591,991	Clinical Services Costs	985,924						985,924
26,060	Hospital and Community	397,644						397,644
565,931	Less: Hospital and Community Income	588,280	0	0	0	0	0	588,280
181,552	Family Health	183,892						183,892
5,632	Less: Family Health Income	5,399						5,399
175,920		178,493	0	0	0	0	0	178,493
741,851	Total Clinical Services Costs	766,773	0	0	0	0	0	766,773
2,790	Administration Costs	2,834						2,834
25	Less: Administration Income	16						16
2,765		2,818	0	0	0	0	0	2,818
11,456	Other Non Clinical Services	14,765	4,057	(2,091)				16,751
16,842	Less: Other Operating Income	18,108	1,617	(2,091)				17,634
(5,386)		(3,323)	2,440	0	0	0	0	(883)
	Associates and Joint Ventures accounted for on an equity basis				(144)	0	0	(144)
739,230	Net Operating Costs	766,268	2,440	0	(144)	0	0	768,564

The Intra Group adjustments relate to transactions between the Endowment Funds and the Board which are eliminated on consolidation. These are the payments received by the Board from Endowments of £1,841k and the payments of £250k from the Board to Endowments.

NHS Ayrshire and Arran
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

32b. CONSOLIDATED GROUP BALANCE SHEET

Group 2015 £000		Note	Board 2016 £000	Endowment 2016 £000	Intra Group adjustment 2016 £000	East Ayrshire 2016 £000	Integration Joint Board (Joint Ventures) North Ayrshire 2016 £000	South Ayrshire 2016 £000	Group 2016 £000
348,429	Non-current assets:								
	Property, plant and equipment	11	395,386						395,386
12,563	Financial assets:								
	Available for sale financial assets	14	0	10,646					10,646
27,350	Investments in associates and joint ventures		0			144	0	0	144
388,342	Trade and other receivables	13	23,390						23,390
	Total non-current assets		418,776	10,646	0	144	0	0	429,566
3,849	Current Assets:								
	Inventories	12	3,921						3,921
8,764	Financial assets:								
607	Trade and other receivables	13	12,358	126	(597)				11,887
2,050	Cash and cash equivalents	15	117	429					546
15,270	Assets classified as held for sale	11c	1,340						1,340
	Total current assets		17,736	555	(597)	0	0	0	17,694
403,612	Total assets		436,512	11,201	(597)	144	0	0	447,260
(15,750)	Current liabilities								
	Provisions	17	(9,913)						(9,913)
(54,411)	Financial liabilities:								
(70,161)	Trade and other payables	16	(52,061)	(649)	597				(52,113)
	Total current liabilities		(61,974)	(649)	597	0	0	0	(62,026)
333,451	Non-current assets plus/less net current assets/liabilities		374,538	10,552	0	144	0	0	385,234
(43,666)	Non-current liabilities								
	Provisions	17	(46,973)						(46,973)
(47,735)	Financial liabilities:								
(91,401)	Trade and other payables	16	(72,117)						(72,117)
	Total non-current liabilities		(119,090)	0	0	0	0	0	(119,090)
242,050	Assets less liabilities		255,448	10,552	0	144	0	0	266,144
153,445	Taxpayers' Equity								
75,613	General fund	SOCTE	161,635						161,635
12,592	Revaluation reserve	SOCTE	93,813						93,813
242,050	Funds Held on Trust	SOCTE	0	10,552					10,552
	Other reserves - joint venture		0			144	0	0	144
	Total taxpayers' equity		255,448	10,552	0	144	0	0	266,144

NHS Ayrshire and Arran
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

32c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board 2015 £000	Endowment 2015 £000	Group 2015 £000		Board 2016 £000	Endowment 2016 £000	Group 2016 £000
(739,290)	60	(739,230)	Cash flows from operating activities	(766,124)	(2,440)	(768,564)
16,333		16,333	Net operating cost	17,284	192	17,476
3,841		3,841	Adjustments for non-cash transactions	3,687		3,687
0	(397)	(397)	Add back: interest payable recognised in net operating cost	0	(435)	(435)
5,781	9	5,790	Deduct: interest receivable recognised in net operating cost	365	(94)	271
(82)		(82)	(Increase) / decrease in trade and other receivables	(72)		(72)
512	9	521	(Increase) / decrease in inventories	(2,276)	557	(1,719)
(6,826)		(6,826)	Increase / (decrease) in trade and other payables	(2,530)		(2,530)
			Increase / (decrease) in provisions			
(719,731)	(319)	(720,050)	Net cash outflow from operating activities	(749,666)	(2,220)	(751,886)
(36,191)		(36,191)	Cash flows from investing activities	(43,798)		(43,798)
0	(4,880)	(4,880)	Purchase of property, plant and equipment	0	(1,085)	(1,085)
1,611		1,611	Investment Additions	251		251
0	4,149	4,149	Proceeds of disposal of property, plant and equipment	0	2,809	2,809
0	397	397	Receipts from sale of investments	0	435	435
			Interest and dividends received			
(34,580)	(334)	(34,914)	Net cash outflow from investing activities	(43,547)	2,159	(41,388)
737,273		737,273	Cash flows from financing activities	772,340		772,340
2		2	Funding	0		0
			Movement in general fund working capital			
737,275	0	737,275	Cash drawn down	772,340	0	772,340
20,879		20,879	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	24,560		24,560
(326)		(326)	Interest paid	(85)		(85)
(3,515)		(3,515)	Interest element of finance leases and on-balance sheet PF/PPP contracts	(3,602)		(3,602)
754,313	0	754,313	Net Financing	793,213	0	793,213
2	(653)	(651)	Net increase / (decrease) in cash and cash equivalents in the period	0	(61)	(61)
115	1,143	1,258	Cash and cash equivalents at the beginning of the period	117	490	607
117	490	607	Cash and cash equivalents at the end of the period	117	429	546
2	(653)	(651)	Reconciliation of net cash flow to movement in net debt / cash	0	(61)	(61)
115	1,143	1,258	Increase / (decrease) in cash in year	117	490	607
117	490	607	Net debt / cash at 1 April	117	429	546
			Net debt / cash at 31 March			

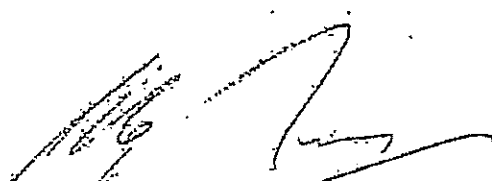
DIRECTION BY THE SCOTTISH MINISTERS



Ayrshire and Arran Health Board

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.


Signed by the authority of the Scottish Ministers

Dated 10/2/2006