Ayrshire and Arran Health Board
Annual Report and Accounts for the year to 31 March 2017

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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 and Principal Activities
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:

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

The functions of the unified NHS Board comprise:

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

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 from April 2015.

In 2015/16 and 2016/17, £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 and 2016/17 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. The Combined Assessment Unit at University Hospital Ayr opened in May 2017.

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 recurringly in GP assessment units, a clinical decisions unit and various staffing. This investment complements the Building for Better Care Business Case and over £5 million has been invested recurringly over the last four years in unscheduled care capacity to manage increasing demand.

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. 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 £13.7 million has been incurred in the year, which matches the capital allocation for the year. The following are the main capital spend areas during 2016/17.

Capital Schemes	£000
Building for Better Care	5,121
Woodland View equipment	540
Electro Medical Equipment	3,514
IT Projects	1,133
Endoscopy decontamination	1,334
Furniture and Equipment	249
Energy Saving Projects	304
Purchase of Primary Care Premises	642
Aseptic Suite, Ayr	351
Water infrastructure	182
Generator replacement	275
Day surgery chillers	251
Drop off at front door	544
Other small capital projects	570
Capital receipts less profit and fees	(1,284)
Total:	13,726

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 a fixed asset and at 31 March 2017 this amounts to over £46 million.

During 2016/17, the following capital schemes were funded through endowment funds (therefore shown as donated assets on the balance sheet):

Capital Schemes funded via Endowments	£000
UHC Day Surgery Unit	546
UHA Ophthalmology Unit	286
Donated equipment	240
Total	1,072

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level fraud / error for calendar year 2016 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:

Ayrshire and Arran	Estimated Potential Fraud/Error	
Year	2016	2015
Dental fees	£500,503	£516,931
Ophthalmic fees	£135,540	£213,316

Revenue Budget 2016/17

Two thirds of the recurring funding uplift for NHS Ayrshire and Arran in 2016/17 was earmarked by Scottish Government for social care. NHS Ayrshire and Arran passed £19.33 million of this social care funding to the three Health and Social Care Partnerships in Ayrshire. Scottish Government also grouped into an "Outcomes Framework" about £140 million of national allocations earmarked for e-Health, prevention, oral health, healthcare acquired infection etc and reduced the funding by 7.5% for NHS Ayrshire and Arran. This meant a reduction in funding for the outcomes framework of about £1 million to £10.9 million.

The Board set a budget for 2016/17, which predicted a deficit of £13.2 million. This was based on £48 million of health cost pressures (including £7 million for national insurance change and £13 million drugs cost pressures), against a funding uplift available for healthcare pressures of £10 million and the Board only being able to deliver £25 million efficiency savings. The Board has been able to achieve a small surplus in 2016/17 through non-recurring means; however has an underlying recurring deficit of £13.2 million.

During 2016/17, University Hospital Crosshouse had open on average about 60 unfunded beds throughout the year due to unscheduled care demand which led to an Acute overspend of £6.9 million. In the context of funding uplifts of around 2% available for health cost pressures in recent years, drug costs have been increasing by 6% per annum, primarily driven by national policy to increase access to high cost drugs including for end of life treatment.

Risks

The Governance Statement outlines the high risks within the corporate risk register and gives a fuller description of actions in relation to the three very high risks, which relates to lack of medical staff, GP practice sustainability issues and ability to deliver

efficiency savings to balance the budget.

The rising number of medical staffing vacancies, particularly at University Hospital Ayr has led to increasing agency medical costs, which reached £9.5 million in 2016/17. Reducing these costs (which exceed the recurring budget available by about £5 million) will require service redesign.

Chief Executive Summary
NHS Ayrshire and Arran had a challenging year in 2016/2017 with increasing emergency hospital admissions requiring over 60 hospital beds to be open throughout the year, beyond the funded establishment. This followed the Board having set a deficit budget of £13.2 million despite £25 million of efficiency savings being targeted, with the biggest cost pressures in 2016/2017 being for drugs cost increases and changes to national insurance costs. To address the recurring deficit, a programme of transformational change includes eight strategic service change programmes and eight best value initiatives. Service delivery was also challenged by the number of medical staffing vacancies increasing, resulting in medical agency costs rising to £9.5 million in the year; however I am pleased to report that the Board was able to break even in 2016/2017 as a result of non-recurring funding sources and was able to achieve most of its performance targets. We are committed to the triple aim of better care, better health and better value.

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	743,836	743,700	137
	Non-core	42,529	42,531	(2)
2	Capital Resource Limit:			
	Core	13,643	13,642	1
	Non-core	74	74	0
3	Cash Requirement	812,364	812,361	3

Memorandum for in-year outturn	£000
Brought forward surplus from previous financial year	65
Surplus against in year Revenue Resource Limit	72
Cumulative savings against revenue resource limit	137

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

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

Ayrshire Maternity Unit (AMU)

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.

East Ayrshire Community Hospital (EACH)

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 2017. 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).

Woodland View

The new mental health and community hospital in Irvine was built under the non-profit distributing model at a cost of around £46.6 million. The facility has 206 inpatient bedrooms and was built by Balfour Beatty construction. The contract with Woodland View Project Co Ltd is for a period of 25 years from April 2016, at the end of which the building transfers free of charge to the NHS Board. Details of all PFI type contracts are provided in Note 23 of the financial statements.

Provisions

Note 17 to the accounts shows a provision for £87 million in respect of clinical and medical legal claims against the Board and participation in Clinical Negligence and other Risks Indemnity Scheme (CNORIS). In addition, note 19 shows £13.6 million as a contingent liability for clinical and medical compensation. The scale of the liability has increased significantly in the year because of a change in the discount rate rather than due to an increased number of claims.

Across NHS Scotland there is a risk sharing pool for clinical and non-clinical claims called CNORIS. This means that each Board meets a share of any settlements in the year (which nationally has been around £45-50 million per annum) and the Board with the claim is liable for the first £25,000 as an "excess". The accounts show in note 17 the estimated future liability for NHS Ayrshire and Arran claims (£50.75 million) and there is a corresponding debtor due from CNORIS in note 13 in the amount of £48.5 million. In addition, note 17 reflect NHS Ayrshire and Arran's share of the future CNORIS liability in the amount of £36.3 million. In 2016/17, the Board received annually managed expenditure (AME) funding of £14.1 million from Scottish Government for the increase in the provision for participation in CNORIS resulting from a change in the discount factor used to value the claims.

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 2016/17. 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	Within 5% of target
RED	Currently outwith the acceptable control limit of >5% of trajectory (plan)

TABLE 1: LDP performance indicators 2016/17

			Baseline		Latest Performance				Target Detail	
ID	Indicator	Units/measure	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-15	24.9%	20.0%	GREEN	Dec-16	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-17	100.0%	95%	GREEN	Mar-17	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-17	96.0%	95%	GREEN	Mar-17	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-17	83.1%	100.0%	RED	Mar-17	100.0%
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-17	71.24%	90%	RED	Mar-17	90%

			Baseline		Latest Performance				Target Detail	
ID	Indicator	Units/measure	Date	Value	Date	Actual	Planned	Performance Score	Date	Target
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%	Mar-17	79.8%	95.0%	RED	Mar-17	95.0%
LDP.8	Early Access to Antenatal Services	Percentage of women booked for antenatal care by 12th week of gestation	Q4 2010/11	69%	Jun-16	88.14%	80%	GREEN	Mar-17	80%
LDP.9	IVF Treatment Waiting Times	Percentage of eligible patients who will commence IVF treatment within 12 months	Q2 2014/15	100%	Q3 2016/17	100%	100%	GREEN	Q4 2016/17	100%
LDP.10*	Faster Access to CAMHS - 18 weeks	Percentage of patients who started treatment within 18 weeks of referral	Apr-13	79.27%	Mar-17	96.67%	90%	GREEN	Mar-17	90%
LDP.11*	Faster Access to Psychological Therapies - 18 wks	Percentage of patients who started treatment within 18 weeks of referral	Apr-14	79.88%	Mar-17	76.6%	90%	RED	Mar-17	90%
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	Q4 2016/17	0.3	0.32	GREEN	Q4 2016/17	0.32
LDP.12b*	C.Diff Reduction Number	Clostridium difficile infections in patients aged 15 and over per 1000 total occupied bed days - number	Apr-11	14	Mar-16	161	120	RED	Mar-16	120
LDP.13	MRSA/MSSA Reduction Rate	Staphylococcus aureus bacteraemia cases per 1,000 acute occupied bed days - rate	Q1 2012/13	0.28	Q4 2016/17	0.25	0.24	AMBER	Q4 2016/17	0.24
LDP.13b*	MRSA/MSSA Reduction Number	Staphylococcus aureus bacteraemia cases per 1,000 acute occupied bed days - number	Apr-11	45	Mar-16	100	84	RED	Mar-16	84
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-17	96.1%	90%	GREEN	Mar-17	90%

			Baseline		Latest Performance				Target Detail	
ID	Indicator	Units/measure	Date	Value	Date	Actual	Planned	Performance Score	Date	Target
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 2016/17	3,535	3,036	GREEN	Q4 2016/17	4,275
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-16	404	510	RED	Mar-17	681
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%	2015/16	90.7%	90%	GREEN	2016/17	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%	2015/16	75.9%	90%	RED	2016/17	90%
LDP.19*	Sickness Absence	Percentage of sickness absence	Apr-09	4.47%	2016/17	5.12%	4.5%	RED	2016/17	4.5%
LDP.20*	A&E Waits to be a Maximum of 4 hours	Percentage of patients attending emergency departments being seen within 4 hours	Apr-09	96.9%	Mar-17	93.49%	95%	AMBER	Mar-17	95%
LDP.21*	Financial Performance	£000s	n/a	n/a	Mar-17	£137,000	£0	GREEN	Mar-17	£0
LDP.22	Cash Efficiencies	£000s	n/a	n/a	Mar-17	£25,427	£25,032	GREEN	Mar-17	£25,032

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, two Amber and twelve were showing a Green position. The remaining indicator had insufficient meaningful 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.5	12 weeks TTG (IP/DC)
LDP.6	18 weeks Referral to Treatment – Performance
LDP.7	New Outpatients: Maximum 12 weeks from Referral (95%)
LDP.11	Faster Access to Psychological Therapies – 18 weeks
LDP.16	Smoking Cessation (SIMD)
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

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.3	62-Day Cancer: Suspicion-of-Cancer Referrals (62 days)
LDP.8	Early Access to Antenatal Services
LDP.9	IVF Treatment Waiting Times
LDP.10	Faster Access to CAMHS – 18 weeks
LDP.12	C. Diff Reduction (Rate)
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

LDP.20 for A&E waits to be a maximum of 4 hours 95% of the time was within 5% of this target, as was LDP.13 for MRSA/MSSA reduction. It should be noted that insufficient meaningful data has been gathered in respect of LDP.4 Dementia Post Diagnostic Support, and the means of how data is collected and validated is currently under discussion.

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.

For those indicators which were scored as red, the following comment and remedial action was provided by the service responsible:

LDP.5: 12weeks TTG (IP/DC)
Analysis: The latest data show a red and improving position whereby 83.1% of inpatient and daycase patients waited less than 84 days for treatment at the end of March 2017 against a target of 100%.
Remedial Action: Plans are in place to increase the number of patients who can receive their operation within 12 weeks of being listed for surgery, and include improved productivity through redesign of services to sustain a reduced waiting time alongside provision of additional clinical capacity to clear the backlog of patients waiting over 12 weeks. The specialties include Orthopaedics, Oral Maxillo-Facial Surgery and General Surgery.

LDP.6: 18 weeks Referral to Treatment - Performance
Analysis: The most up to date data are showing a red and worsening position as at February 2017 of 71.24% of combined admitted and non-admitted patient pathways to be treated within 18 weeks of referral against a trajectory of 90%. The February 2016 figure was 74.21%.
Remedial Action: The performance is mainly attributed to consultant vacancies and increasing referrals. For the out-patient component of this measure there is an identified gap in capacity which is filled by additional clinical sessions alongside the progression of redesign of services delivered by clinical practitioners other than Consultants. For the diagnostic component, services are experiencing increasing year on year demand and a range of actions are in place:

- transferring patients to GJNH for MRI & CT
- use of mobile MRI scanner, 10 days each month
- engagement of Locum Radiologists
- support for Medica to report scans.

LDP.7: New Outpatients: Maximum 12 weeks from Referral
Analysis: Most recent data shows performance as red and improving as at March 2017 of the percentage of patients who started treatment within 12 weeks of referral, against a target of 95%.
Remedial Action: there is an identified gap in capacity as described above which is filled by additional clinical sessions alongside the progression of redesign of services delivered by clinical practitioners other than consultants.

LDP.11: Faster Access to Psychological Therapies – 18 weeks
Analysis: These data are showing a red and improving position of 76.6% of patients being seen within 18 weeks in March 2017, up from 73.24% in February 2017.
Remedial Action: In 2016/17, £836,411 of non-recurring funding was received to build capacity for psychological therapies and CAMHS. A whole system review of psychological services is underway supported with additional Government funding and investment in improving access to Psychological Therapies. A number of service improvement initiatives and test of change pilots are to be implemented with development of an action plan to ensure delivery of improvement targets.

LDP.16: Smoking Cessation

Analysis: These local data show a red position of 404 successful quits after 12 weeks against a trajectory of 510 of people residing in the 40% most deprived datazones in the NHS Board (i.e. two most deprived local quintiles), as at December 2016. As these data relate to all successful quits made throughout the month of December 2016, reporting is therefore subject to a timelag delay of 3 months.

Remedial Action: Although recent months have seen a dip in performance, it is hoped that this will be compensated for over the next few months and it is still expected that the end of year required standard will be met. An information campaign will be implemented to increase awareness of the service which is expected to result in a rise in people having still successfully refrained from smoking after 12 weeks.

LDP.18: Advance Booking – GP

Analysis: Nationally published data for this indicator showed worsening trend in performance, from 76.8% of patients in 2013/14 being able to book in advance to 75.9% in 2015/16 against a target of 90%, therefore a red and worsening position. The Scottish average for 2015/16 was 76.4%. 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 5.12%, against the full year average target of 4.55% and the 2015/16 average of 4.86%.

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;
- 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 long term.

Payment policy

The Scottish Government is committed to supporting businesses 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.

- In 2016/17, average credit taken was 8 days from date invoice received. (2015/16 = 9 days from invoice date).

- In 2016/17, the Health Board paid 94% by volume and 95% by value of non-NHS suppliers within 30 days of the invoice being received, (compared to 93% and 94% in 2015/16).

- Based on the date of invoices being received, 86% by volume and 87% by value were paid within 10 days in 2016/17 (compared to 84% and 86% in 2015/16).

Pension Liabilities
The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 24 and the Remuneration Report.

Sustainability and Environmental reporting
The Climate Change (Scotland) Act 2009 set outs measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which NHS Ayrshire and Arran is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Act, along with copies of prior year national reports, can be found at the following resource:

http://www.keepscotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/

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 .....JC Burns..... Date ....26/6/17.....
Chief Executive

B. ACCOUNTABILITY REPORT

Corporate Governance Report
a) 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 26 June 2017.

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 Deloitte LLP 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
Mrs M Anderson, Non Executive Director (from 1 August 2016)
Prof H Borland, Director of Nursing
Mrs L Bowie, Non Executive Director (vice Chair from 1 July 2016)
Dr K Darwent, vice Chair (until 30 June 2016)
Dr C Davidson, Director of Public Health (until 31 March 2017)
Mr S Donnelly, Employee Director
Councillor W Gibson, Non Executive Director
Ms C Gilmore, Non Executive Director
Dr A Graham, Medical Director
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 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 2017 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; and
- 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.

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, which are consolidated into these accounts. Most of the Non-Executive board members also sit on one of the three Integration Joint Board's whose accounts are also consolidated.

Directors' third party indemnity provisions
Director's have no third party indemnity provisions.

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 imposed 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, two personal data related incidents were considered to meet the criteria for notification to the Information Commissioner's Office (ICO). These two incidents were duly reported. The first incident was closed by the ICO with no regulatory action taken. NHS Ayrshire and Arran await further correspondence from the ICO with regards to the second personal data related incident.

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.

b) The Statement of Accountable Officers' 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 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 confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

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.

c) The Governance Statement

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives including those set by Scottish Ministers. In addition, 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 2016/2017.

Governance Framework of the Board

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 2016/2017 and the Board has considered and discussed the annual report for 2016/2017 produced by each of these committees.

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 Medical Director is the Caldicott Guardian and 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 & Arran. 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 21 June 2016. 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 and approved by the Board on 12 December 2016. 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.

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 & Arran and the three Ayrshire Council.

The Integration Scheme sets out financial contributions by partners to Integration Joint Boards. This includes the Health Board and Council each considering funding their pay cost pressures and contracted inflation with shared responsibility for demographic cost pressures. In 2016/2017, the Scottish Government funded £250 million of social care cost pressures through Health Boards.

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 conducted between October and December 2016. This involved a questionnaire to all Board members and an interview with ten. The outcome was positive. The Audit Committee carried out a self-assessment during 2015/2016 and was in line with good practice guidelines.

A Ministerial Board Annual Review took place during 2016/2017 with stakeholders invited to participate. In a follow-up letter from the Cabinet Secretary, the Board was commended for performance in various areas however, 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 2015/2016, the Staff Governance Committee requested that Mandatory and Statutory Training be further scrutinised by the NHS Board in 2016.

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.

Each year the Board's internal auditors, PricewaterhouseCoopers, design their audit programme to review the highest risk areas within the Board strategic risk register. The internal audit programme is approved by the Audit Committee and each report produced by internal audit is considered by the Audit Committee, but in addition is referred to the most relevant governance committee (Staff, Healthcare, Information, Performance) for detailed scrutiny.

The internal audit programme gives assurance on a broad range of internal controls and in addition a focused review on key financial controls covers the core financial systems on a two-year cyclical basis and for the last three years, the resulting report has shown a low risk report classification.

The Financial Management Report was discussed at each Board meeting, which includes efficiency measures. During the year, significant overspends on nurse staffing budgets were reported as a result of beds having to be opened to meet unscheduled care demand that was not part of the Revenue Plan.

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 & Arran is committed to continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice. 2016/2017 has seen the review of the Risk Management Strategy, Risk Appetite Statement, Adverse Events Policy and the Safety Action Notice Policy. The improvements to the Safety Action Notice Policy have ensured that the organisation is better placed to provide assurance that safety alerts are being managed and assurance received from the services.

There are three strategic risks which are rated as "very high risk":-

1. Lack of medical staff;
2. Failure to recruit to GP vacancies; and
3. Inability to release sufficient efficiency savings to balance the budget.

To treat the risks related to medical staffing, each vacancy is risk assessed by the service and where necessary agency doctors are engaged. Where there is no realistic prospect of recruiting to a substantive post, service redesign is considered including

different skill mix or working with other Boards. In 2016/2017 the lack of junior doctors was mitigated by the funding and recruitment of thirteen additional clinical development / teaching fellows. The Medical Workforce Steering Group reviews medical workforce gaps and the agency locums spend to fill these gaps. A workforce and sustainability group has been established within the primary care programme.

The level of cash releasing efficiency savings required in 2016/2017 to set a recurring balanced budget was £38 million. The strategic risk identified was that the Board is unable to release sufficient efficiency savings to balance the budget. To treat the risk a Transformational Change Programme was established which coordinates eight strategic service change programmes, eight best value initiatives and collaborative working with a range of other Health Boards. These initiatives will take some time to deliver recurring cash releasing efficiency savings and therefore the Board set a recurring deficit budget of £13.2 million for 2016/2017, however was able to break-even through non-recurring means.

As part of the 2016/2017 internal audit programme, the only internal audit report with high-risk recommendations during the year related to the Transformational Change Programme. The recommendations related to the Programme Management capacity and have been addressed by management through establishing a portfolio management capacity within the planning and performance department.

The strategic risk register also contains six high risks in the following areas:

- promoting attendance;
- personal development review;
- statutory management of the estate;
- statutory management of occupational road risk;
- delivery of the approved capital plan; and
- achieving the legal treatment time guarantee.

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 2016/2017, out of 21,712 planned day cases and inpatients seen, some 2,712 patients were treated outwith the 12-week treatment time guarantee. This means that 87.4% of patients requiring an operation were admitted within 12 weeks of their outpatient appointment.

Following a Deanery quality management review of junior doctor training, the medicine department at University Hospital Ayr was placed in the General Medical Council's enhanced monitoring regime.

During 2016/2017 there were four reports issued following visits by the Healthcare Environmental Inspectorate of Healthcare Improvement Scotland to NHS Ayrshire & Arran facilities. One was for Biggart Hospital, which had no requirements or recommendations, another was for East Ayrshire Community Hospital, which had one requirement and two recommendations and a further inspection was of Arran War Memorial hospital, which resulted in two requirements. An inspection of University

Hospital Ayr resulted in two requirements and two recommendations.

An unannounced inspection of care of older people at University Hospital Crosshouse took place between 25 and 27 October 2016. The inspection resulted in six areas of good practice and 14 areas of required improvement. The reports and action plans were considered at the Healthcare Governance Committee of the Board and are shown on the Board public website.

In March 2017, Healthcare Improvement Scotland commenced a review into adverse events which took place since December 2013 at Ayrshire Maternity Unit within University Hospital Crosshouse. This review has not yet reported.

In 2016/2017, a number of instances of staff employed by the Board allegedly having accepted hospitality from suppliers were brought to the Board's attention by Counter Fraud Services (CFS). The subsequent investigations resulted in two members of staff being dismissed. Internal audit will carry out a review of gifts and hospitality as part of the 2017/18 internal audit programme.

Subject to the above, during the 2016/2017 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.

Remuneration and Staff Report

Remuneration Report

Board members' and senior employees' remuneration

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.

The Remuneration Committee membership is as follows:-

Dr Martin Cheyne, Chair
Councillor William Gibson
Mr Stewart Donnelly
Dr Kirsty Darwent (until 30 June 2016)
Mr Stephen McKenzie (from 1 July 2016)

The committee met two times during 2016/17. 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.

Directors - Remuneration

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.

Performance Appraisal

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.

Payments to Non Executive Directors and Executive Directors'

The following tables provide a breakdown of Non Executive Directors' and Executive Directors' remuneration 2016/17.

Remuneration (salary, benefits in kind and pensions) 2016 -17

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)	(i) Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
Executive						
Mr J Burns, Chief Executive	135 - 140	0	0.0	135 - 140	24	160 - 165
Mr D Lindsay, Director of Finance	105 - 110	0	2.1	105 - 110	36	140 - 145
Dr A Graham, Medical Director	160 - 165	0	4.5	165 - 170	16	180 - 185
Dr C Davidson, Director of Public Health (left 31 March 2017)	170 - 175	0	0.0	170 - 175	48	220 - 225
Professor. H Borland, Nurse Director	85 - 90	0	0.0	85 - 90	59	145 - 150
Non-executive						
Dr M Cheyne, Chairman	30 - 35	0	0.0	30 - 35	0	30 - 35
Dr K Darwent, (left 30 June 2016)	0 - 5	0	0.0	0 - 5	0	0 - 5
Mrs L Bowie	5 - 10	0	0.0	5 - 10	0	5 - 10
Mrs M Anderson (from 1 August 2016)	5 - 10	0	0.0	5 - 10	0	5 - 10
(ii) Mr S Donnelly	55 - 60	0	1.9	55 - 60	10	65 - 70
Councillor W Gibson	5 - 10	0	0.0	5 - 10	0	5 - 10
Ms C Gilmore	5 - 10	0	0.0	5 - 10	0	5 - 10
Councillor H Hunter	5 - 10	0	0.0	5 - 10	0	5 - 10
Mr R Martin	5 - 10	0	0.0	5 - 10	0	5 - 10
(iii) Dr J McKay	65 - 70	0	3.6	70 - 75	8	75 - 80
Mr S McKenzie	5 - 10	0	0.0	5 - 10	0	5 - 10
Mr A McKie	5 - 10	0	0.0	5 - 10	0	5 - 10
Councillor D Reid	5 - 10	0	0.0	5 - 10	0	5 - 10
Miss L Tennant	5 - 10	0	0.0	5 - 10	0	5 - 10
Mr I Welsh	5 - 10	0	0.0	5 - 10	0	5 - 10

(i) The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.
(ii) Mr S Donnelly is the employee director, and £45 - 50k of his salary, all benefits in kind and all pension benefits are in respect of non-Board duties.
(iii) Dr J McKay is a stakeholder director for the Area Clinical Forum, and £55 - 60k of her salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2017 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2017 (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 31/03/2016 £'000	(iv) Cash Equivalent Transfer Value (CETV) at 31/03/2017 £'000	Real increase in CETV £'000
Mr J Burns, Chief Executive	55 - 60	165 - 170	0 - 2.5	5 - 7.5	1,142	1,215	53
Mr D Lindsay, Director of Finance	30 - 35	85 - 90	0 - 2.5	0 - 2.5	549	598	49
Dr A Graham, Medical Director	55 - 60	175 - 180	0 - 2.5	5 - 7.5	1,149	1,216	43
Dr C Davidson, Director of Public Health	55 - 60	170 - 175	2.5 - 5	7.5 - 10	1,273	1,351	56
Professor. H Borland, Nurse Director	30 - 35	95 - 100	2.5 - 5	5 - 7.5	566	633	67
Mr S Donnelly, Non-executive Director	20 - 25	65 - 70	0 - 2.5	0 - 2.5	436	461	21
Dr J McKay, Non-executive Director	20 - 25	65 - 70	0 - 2.5	0 - 2.5	465	491	19

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

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 Bowie	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 pension 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.

Additional Disclosure Required

2016/17		2015/16	
Range of staff remuneration	16,113 - 284,543	Range of staff remuneration	15,199 – 249,318
Highest Earning Director's Total Remuneration (£000's)	170-175	Highest Earning Director's Total Remuneration (£000's)	175-180
Median Total Remuneration	24,297	Median Total Remuneration	29,356
Ratio	5.89	Ratio	6.05

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 2016/17 was £170,000-£175,000 (2015/16 was £175,000-£180,000). In 2016/17 this was 5.89 times the median remuneration of the workforce, which was £29,297 while in 2015/16 this was 6.05 times the median remuneration, which was £29,356.

There was a decrease of 0.2% year on year in the median remuneration of the workforce. During 2016/17, there were 17 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.

Staff Report

Salary band	2016		2017	
	clinicians	other	clinicians	other
£ 50,001 to £ 60,000	184	31	177	30
£ 60,001 to £70,000	59	19	70	17
£ 70,001 to £ 80,000	54	9	41	7
£ 80,001 to £ 90,000	34	3	41	5
£ 90,001 to £100,000	36	1	45	1
£100,001 to £110,000	46	2	35	3
£110,001 to £120,001	30	1	36	0
£120,001 to £130,000	34	0	38	0
£130,001 to £140,000	26	1	24	1
£140,001 to £150,000	22	0	18	0
£150,001 to £160,000	17	0	20	0
£160,001 to £170,000	14	0	15	0
£170,001 to £180,000	6	0	7	0
£180,001 to £190,000	7	0	5	0
£190,001 to £200,000	4	0	2	0
£200,001 and above	5	0	6	0

The table above shows the number of staff falling into each salary band.

b Staff numbers

STAFF NUMBERS AND COSTS

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
STAFF COSTS								
Salaries and wages	660	136	311,263			(805)	**311,254**	**302,230**
Social security costs	86	4	30,848			(103)	**30,835**	**24,190**
NHS scheme employers' costs	94		40,226			(125)	**40,195**	**39,570**
Other employers' pension costs							**0**	**0**
Inward secondees				15			**15**	**157**
Agency staff					13,609		**13,609**	**10,148**
TOTAL	**840**	**140**	**382,337**	**15**	**13,609**	**(1,033)**	**395,908**	**376,295**
STAFF NUMBERS								
Whole time equivalent (WTE)	5	14	9,220	0	81	(26)	**9,294**	9,152
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							0	0
Included in the total staff numbers above were disabled staff of:							48	49
Included in the total staff numbers above were Special Advisers of:							0	0

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

	2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Directors	2	3	5	2	3	5
Non-Executive Directors and Employee Director	9	5	14	10	5	15
Senior Employees	5	11	16	8	13	21
Other	1,776	9,172	10,948	1,746	8,930	10,676
Total Headcount	1,792	9,191	10,983	1,766	8,951	10,717

d Sickness absence data

	2017	**2016**
Sickness Absence Rate	5.12%	4.96%

e Staff policies applied during the financial year relating to the employment of disabled persons

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.

In accordance with current policy:

- 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.

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.

f Exit packages

Exit package cost band	2016 Agreed departures number	2016 Cost of exit packages £000	2017 Agreed departures number	2017 Cost of exit packages £000
<£10,000	2	4		
£25,000 - £50,000	1	48		
£50,000 - £100,000	2	187	1	64
Total	5	239	1	64

Parliamentary Accountability Report

Losses and Special Payments

On occasion, the Board is required to write off balances that are no longer recoverable. Losses and special payments over £250,000 require formal approval to regularise such transactions and their notation in the annual accounts.

In the year to 31 March 2017, the following balances in excess of £250,000 were written off:

Reference	Description	2016/17 £000
CNORIS	Total claims paid under the CNORIS scheme	1,181
Other losses	Others	420

In 2016-17, the Board was required to pay out £500,000 as an interim payment in respect of one claim individually greater than £250,000 settled under the CNORIS scheme (2015-16: £1,603,000). Further details on the scheme can be found in note 1 (accounting policies) of the annual accounts.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in note 17.

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Ayrshire and Arran charges for services provided on a full cost basis whenever applicable. NHS Ayrshire and Arran host, on behalf of NHS Scotland, the financial ledger and helpdesk. The staffing, software and managed technical service costs are met by the Board then recharged to the other twenty-one Boards. Income from Boards of £2.67 million offset the costs for the year of £2.63 million leaving a surplus of £39,000.

Signed ..... Date 26/6/17
Chief Executive

Audit Report

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

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 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire and Arran Health Board and its group for the year ended 31 March 2017 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2017 and of their net expenditure 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 2016/17 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.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial

statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on regularity of expenditure and income

Opinion on regularity

In our 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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

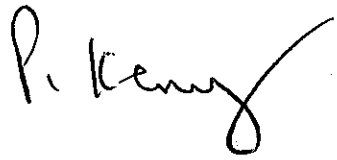
We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff

Report are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX

26 June 2017

NHS Ayrshire and Arran

Statement of Consolidated Comprehensive Net Expenditure

for the year ended 31st March 2017

2016 £000		Note	2017 £000	2017 £000
985,924	Hospital and Community	4	1,036,951	
397,644	Less: Hospital and Community Income	8	402,591	
588,280				**634,360**
183,892	Family Health	5	187,547	
5,399	Less: Family Health Income	8	5,436	
178,493				**182,111**
766,773	**Total Clinical Services Costs**			**816,471**
2,834	Administration Costs	6	2,752	
16	Less: Administration Income	8	14	
2,818				**2,738**
16,751	Other Non Clinical Services	7	26,884	
17,634	Less: Other Operating Income	8	18,446	
(883)				**8,438**
(144)	Associates and Joint Ventures accounted for on an equity basis	32a		**824**
768,564	**Net Operating Costs**			**828,471**
(20,273)	Net loss on revaluation of Property Plant and Equipment			(400)
	Net loss on revaluation of available for sales financial assets			(1,073)
(20,273)	**Other Comprehensive Expenditure**			**(1,473)**
748,291	**Comprehensive Net Expenditure**			**826,998**

NHS Ayrshire and Arran
Summary of Resource Outturn
for the year ended 31st March 2017

	2017 £000
Summary Of Core Revenue Resource Outturn	
Net Operating Costs	**828,471**
Total Non Core Expenditure (see below)	(42,531)
FHS Non Discretionary Allocation	(42,982)
Donated Assets Income	1,072
Endowment Net Operating Costs	494
Associates and Joint Ventures accounted for on an equity basis	(824)
Total Core Expenditure	**743,700**
Core Revenue Resource Limit	743,836
Saving against Core Revenue Resource Limit (RRL)	**136**
Summary Of Non Core Revenue Resource Outturn	
Capital Grants to Other Bodies	798
Depreciation / Amortisation	11,721
Annually Managed Expenditure - Impairments	4,118
Annually Managed Expenditure - Creation of Provisions	17,919
Annually Managed Expenditure - Depreciation of Donated Assets	400
Additional SGHSCD non-core funding	4,700
IFRS PFI Expenditure	2,875
Total Non Core Expenditure	**42,531**
Non Core Revenue Resource Limit	42,529
Excess against Non Core Revenue Resource Limit (RRL)	**(2)**

Summary Resource Outturn

	Resource £000	Expenditure £000	Saving (Excess) £000
Core	743,836	743,700	136
Non Core	42,529	42,531	(2)
Total	**786,365**	**786,231**	**134**

NHS Ayrshire and Arran

Consolidated Balance Sheet

at 31st March 2017

Consolidated 2016 £000	Board 2016 £000		Note	Consolidated 2017 £000	Board 2017 £000
395,386	395,386	Property, plant and equipment	11d	395,829	395,829
		Financial assets:			
10,646	0	Available for sale financial assets	14	10,086	0
144	0	Investments in associates and joint ventures	32b	943	0
23,390	23,390	Trade and other receivables	13	44,578	44,578
429,566	**418,776**	**Total non-current assets**		**451,436**	**440,407**
3,921	3,921	Inventories	12	4,090	4,090
		Financial assets:			
11,887	12,358	Trade and other receivables	13	14,318	13,708
546	117	Cash and cash equivalents	32c	540	115
1,340	1,340	Assets classified as held for sale	11c	25	25
17,694	**17,736**	**Total current assets**		**18,973**	**17,938**
447,260	**436,512**	**Total assets**		**470,409**	**458,345**
(9,913)	(9,913)	Provisions	17	(12,214)	(12,214)
		Financial liabilities:			
(52,113)	(52,061)	Trade and other payables	16	(54,076)	(54,001)
0	0	Liabilities in associate and joint ventures	32b	(1,623)	0
(62,026)	**(61,974)**	**Total current liabilities**		**(67,913)**	**(66,215)**
385,234	**374,538**	**Non-current assets less net current liabilities**		**402,496**	**392,130**
(46,973)	(46,973)	Provisions	17	(82,409)	(82,409)
		Financial liabilities:			
(72,117)	(72,117)	Trade and other payables	16	(69,653)	(69,653)
(119,090)	**(119,090)**	**Total non-current liabilities**		**(152,062)**	**(152,062)**
266,144	**255,448**	**Assets less liabilities**		**250,434**	**240,068**
		Taxpayers' Equity			
161,635	161,635	General fund	SOCTE	149,186	149,186
93,813	93,813	Revaluation reserve	SOCTE	90,882	90,882
144	0	Other reserves - associates and joint ventures	SOCTE	(680)	0
10,552	0	Fund held on Trust	SOCTE	11,046	0
266,144	**255,448**	**Total taxpayers' equity**		**250,434**	**240,068**

Adopted by the Board on 26 June 2017

Director of Finance Derek Lindsay

Chief Executive JC Burns

The notes to the Accounts form an integral part of these accounts

NHS Ayrshire and Arran
Statement of Consolidated Cash Flows
for the year ended 31st March 2017

2016 £000		Note	2017 £000	2017 £000
	Cash flows from operating activities			
(768,564)	Net operating cost		(828,471)	
17,476	Adjustments for non-cash transactions		14,347	
3,687	Add back: interest payable recognised in net operating cost		6,899	
(435)	Deduct: interest receivable recognised in net operating cost		(404)	
271	(Increase) / decrease in trade and other receivables		(23,281)	
(72)	(Increase) / decrease in inventories		(169)	
(1,719)	Increase / (decrease) in trade and other payables		(1,359)	
(2,530)	Increase / (decrease) in provisions		37,737	
(751,886)	**Net cash outflow from operating activities**	**32c**		**(794,701)**
	Cash flows from investing activities			
(43,798)	Purchase of property, plant and equipment		(13,072)	
(1,085)	Investment Additions		(364)	
251	Proceeds of disposal of property, plant and equipment		1,582	
2,809	Receipts from sale of investments		2,147	
435	Interest received		404	
(41,388)	**Net cash outflow from investing activities**	**32c**		**(9,303)**
	Cash flows from financing activities			
772,340	Cash drawn down		812,361	
24,560	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1,464)	
(85)	Interest paid		0	
(3,602)	Interest element of finance leases and on-balance sheet PFI/PPP contracts		(6,899)	
1,565,553	**Net Financing**	**32c**		**803,998**
(61)	Net decrease in cash and cash equivalents in the period			(6)
607	Cash and cash equivalents at the beginning of the period			546
546	**Cash and cash equivalents at the end of the period**			**540**
	Reconciliation of net cash flow to movement in net debt/cash			
(61)	Increase / (decrease) in cash in year			(6)
607	Net debt / cash at 1 April			546
546	**Net cash at 31 March**			**540**

NHS Ayrshire and Arran
Consolidated Summary of Changes in Taxpayers' Equity
for the year ended 31st March 2017

	Note	General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2016		161,635	93,813	144	10,552	266,144
Prior year adjustments for changes in accounting policy and material errors	25	0	0	0	0	0
Restated balance at 1 April 2016		**161,635**	**93,813**	**144**	**10,552**	**266,144**
Changes in taxpayers' equity for 2016-17 :						
Net gain on revaluation of property, plant and equipment	11a & b		400			400
Net loss on revaluation of available for sale financial assets	14		0			0
Impairment of property, plant and equipment	11a		(1,531)			(1,531)
Revaluation & impairments taken to operating costs	3		1,531			1,531
Transfers between reserves		3,331	(3,331)			0
Net operating cost for the year		(828,141)		(824)	494	(828,471)
Total recognised income and expense for 2016-17		**(824,810)**	**(2,931)**	**(824)**	**494**	**(828,071)**
Funding:						
Drawn down		812,361				812,361
Balance at 31 March 2017	**BS**	**149,186**	**90,882**	**(680)**	**11,046**	**250,434**

Prior Year	Note	General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£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	0	0	0	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 on revaluation 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**

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 trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard

applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

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 33 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.

Note 2 Staff Costs

Total staff costs for the year to 31 March 2017 were £395.908m (2016 costs were £376.295m) Further detail and analysis of staff costs can be found from page 27 in the Remuneration and Staff Report,

Note 3 Other Operating Costs

2016 £000			2017 £000
	Expenditure Not Paid In Cash	Note	
15,760	Depreciation	11a	14,129
400	Depreciation Donated Assets	11b	400
1,716	Impairments on PPE charged to SOCNE	11a	1,531
510	Loss on remeasurement of non-current assets held for sale	11c	0
(907)	Funding Of Donated Assets	11b	(1,072)
(51)	Loss/(Profit) on disposal of property, plant and equipment		(242)
(144)	Investment in IJB		824
192	Realised (gain) / loss on investments		(1,223)
17,476	**Total Expenditure Not Paid In Cash**	**CFS**	**14,347**
	Interest payable		
3,585	PFI Finance lease charges allocated in the year	23	6,882
17	Other Finance lease charges allocated in the year		17
85	Provisions - Unwinding of discount		0
3,687	**Total Interest Payable**		**6,899**
	Statutory Audit		
228	**External auditor's remuneration and expenses**		**170**

Note 4 Hospital and Community Health Services

2016 £000			2017 £000
	By Provider :		
506,544	Treatment in Board area of NHSScotland Patients		528,311
55,140	Other NHSScotland Bodies		58,465
425	Health Bodies outside Scotland		671
5,843	Primary care bodies		5,752
4,689	Private sector		3,627
41	Support Finance		75
43	Resource Transfer		43
407,043	Contribution of Health Board to Integration Joint Board		433,696
5,629	Contributions to Voluntary Bodies and Charities		5,708
985,397	**Total NHSScotland Patients**		**1,036,348**
527	Treatment of UK residents based outside Scotland		603
985,924	**Total Hospital & Community Health Service**	**SOCNE**	**1,036,951**

Note 5 Family Health Service Expenditure

2016 £000			Unified Budget £000	Non Discretionary £000	2017 Total £000
53,876	Primary Medical Services		54,542	-	54,542
94,076	Pharmaceutical Services		82,121	13,594	95,715
28,069	General Dental Services		2,309	27,005	29,314
7,871	General Ophthalmic Services		254	7,722	7,976
183,892	**Total**	**SOCNE**	**139,226**	**48,321**	**187,547**

Note 6 Administration Costs

2016 £000			2017 £000
1,037	Board members' remuneration		980
95	Administration of Board Meetings and Committees		95
447	Corporate Governance and Statutory Reporting		408
441	Health Planning, Commissioning & Performance Reporting		475
224	Treasury Management and Financial Planning		230
368	Public Relations		334
222	Other		230
2,834	**Total administration costs**	**SOCNE**	**2,752**

Note 7 Other Non Clinical Services

2016 £000			2017 £000
10	Closed hospital charges		3
4,451	Compensation payments - Clinical		17,013
343	Compensation payments - Other		(84)
193	Pension enhancement & redundancy		962
210	Patients' Travel Attending Hospitals		150
8	Patients' Travel Highlands and Islands scheme		8
2,883	Health Promotion		2,779
1,897	Public Health		1,846
104	Emergency Planning		108
96	Post Graduate Medical Education		87
2,479	Shared Services		2,631
4,057	Endowment Expenditure		1,356
20	Other		25
16,751	**Total Other Non Clinical Services**	**SOCNE**	**26,884**

Note 8 Operating Income

2016 £000			2017 £000
26,480	NHSScotland Bodies		23,621
527	NHS Non-Scottish Bodies		603
27,007	**Hospital and Community Health Services Income**		**24,224**
141	Private Patients		171
881	Compensation Income		1,207
79	Other Hospital and Community Health Services income		88
369,536	Income for services commissioned by Integration Joint Board		376,901
370,637	**Non NHS**		**378,367**
397,644	**Total Hospital and Community Health Services Income**	**SOCNE**	**402,591**
109	Unified Family Health Services (FHS) Income		97
5,290	Non Discretionary FHS Income : General Dental Services		5,339
5,399	**Total Family Health Services Income**	**SOCNE**	**5,436**
16	**Administration Income**	**SOCNE**	**14**
51	Profit on disposal of non current assets		242
907	Donated Asset Additions		1,072
2,518	Shared Services		2,670
1,617	Endowment Income		1,850
12,541	Other		12,612
17,634	**Total Other Operating Income**	**SOCNE**	**18,446**
420,693	**Total Income**		**426,487**
26,480	Of the above, the amount derived from NHS bodies is		23,621

Note 9 Analysis of Capital Expenditure

2016 £000			2017 £000
43,608	Acquisition of Property, plant and equipment	11a	15,056
907	Donated Asset Additions	11b	1,072
44,515	**Gross Capital Expenditure**		**16,128**
200	Value of disposal of Non-Current Assets held for sale	11c	1,340
907	Donated Asset Income		1,072
1,107	**Capital Income**		**2,412**
43,408	**Net Capital Expenditure**		**13,716**
	Summary of Capital Resource Outturn		
18,257	Core capital expenditure included above		13,642
18,258	Core Capital Resource Limit		13,643
1	**Saving against Core Capital Resource Limit (CRL)**		**1**
25,151	Non Core capital expenditure included above		74
25,151	Non Core Capital Resource Limit		74
0	**Excess) against Non Core Capital Resource Limit (CRL)**		**0**
43,408	**Total Capital Expenditure**		**13,716**
43,409	Total Capital Resource Limit		13,717
1	**Saving / (excess) against Total Capital Resource Limit**		**1**

Note 10 Intangible Assets (Non-Current) Consolidated Board

2016 £000	Software Licences	2017 £000
	Cost or Valuation	
21	At 1st April	21
21	**At 31st March**	**21**
	Amortisation	
21	At 1st April	21
21	**At 31st March**	**21**
	Net Book Value	
0	At 1st April	0
0	**At 31st March**	**0**

Note 11 a **Property, Plant and Equipment (Purchased Assets) Consolidated and Board**

	Land (inc 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 2016	16,723	309,904	2,372	192	74,777	29,276	10,037	52,723	496,004
Additions	130	2,915	0	0	4,279	1,132	467	6,133	15,056
Completions	0	46,548	0	0	0	0	0	(46,548)	0
Transfers (to) / from non-current assets held for sale	(16)	(9)	0	0	0	0	0	0	(25)
Revaluation	61	(10,237)	(45)	0	0	0	0	0	(10,221)
Impairment Charge	(5)	(117)	(1,321)	0	0	0	0	(142)	(1,585)
Disposals	0	0	0	0	(1,471)	0	0	0	(1,471)
At 31 March 2017	**16,893**	**349,004**	**1,006**	**192**	**77,585**	**30,408**	**10,504**	**12,166**	**497,758**
Depreciation									
At 1 April 2016	0	651	0	192	67,509	27,242	8,651	0	104,245
Provided during the year	0	10,641	88	0	1,765	727	908	0	14,129
Completions									
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(10,577)	(37)	0	0	0	0	0	(10,614)
Impairment Charge	0	(3)	(51)	0	0	0	0	0	(54)
Disposals	0	0	0	0	(1,471)	0	0	0	(1,471)
At 31 March 2017	**0**	**712**	**0**	**192**	**67,803**	**27,969**	**9,559**	**0**	**106,235**
Net book value at 1 April 2016	**16,723**	**309,253**	**2,372**	**0**	**7,268**	**2,034**	**1,386**	**52,723**	**391,759**
Net book value at 31 March 2017 (BS	**16,893**	**348,292**	**1,006**	**0**	**9,782**	**2,439**	**945**	**12,166**	**391,523**
Open Market Value of Land in Land and Dwellings Included Above	7,353		520						
Asset financing:									
Owned	16,893	267,244	1,006	0	9,782	2,439	945	12,166	310,475
Finance leased	0	1,552	0	0	0	0	0	0	1,552
On-balance sheet PFI contracts	0	79,496	0	0	0	0	0	0	79,496
Net book value at 31 March 2017	16,893	348,292	1,006	0	9,782	2,439	945	12,166	391,523

Note 11 a **Property, Plant and Equipment (Purchased Assets) Consolidated and Board - Prior Year**

	Land (inc under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	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	9,669	0	0	2,929	427	347	30,236	43,608
Completions	0	8,598	0	0	0	0	0	(8,598)	0
Transfers (to) / from non-current assets held for sale	0	107	(107)	0	0	0	0	0	0
Revaluation	(2,005)	12,661	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
Completions	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(9,363)	(79)	0	0	0	0	0	(9,442)
Impairment Charge	0	0	0	0	8	0	0	0	8
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 (BS	**16,723**	**309,253**	**2,372**	**0**	**7,268**	**2,034**	**1,386**	**52,723**	**391,759**
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

Note 11 b **Property, Plant and Equipment (Donated Assets) Consolidated and Board**

	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2016	1,906	81	5,111	17	112	509	7,736
Additions	832	0	240	0	0	0	1,072
Completions	509	0	0	0	0	(509)	0
Revaluation	(74)	0	0	0	0	0	(74)
At 31 March 2017	**3,173**	**81**	**5,351**	**17**	**112**	**0**	**8,734**
Depreciation							
At 1 April 2016	0	81	3,899	17	112	0	4,109
Provided during the year	81	0	319	0	0	0	400
Revaluation	(81)	0	0	0	0	0	(81)
At 31 March 2017	**0**	**81**	**4,218**	**17**	**112**	**0**	**4,428**
Net book value at 1 April 2016	**1,906**	**0**	**1,212**	**0**	**0**	**509**	**3,627**
Net book value at 31 March 2017 (BS)	**3,173**	**0**	**1,133**	**0**	**0**	**0**	**4,306**
Asset financing:							
Owned	3,173	0	1,133	0	0	0	4,306
Net book value at 31 March 2017	**3,173**	**0**	**1,133**	**0**	**0**	**0**	**4,306**

Note 11 b

	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£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	(48)	0	0	0	0	0	(48)
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 (BS)	**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**

Note 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 2018. The following are held for sale; Girvan Health Centre, Dailly Clinic, and New Cumnock Clinic.

Assets held for Sale - Consolidated and Board		2016	2017
		£000	£000
At 1 April		2,050	1,340
Transfers (to) / from property, plant and equipment	11a	0	25
Gain or losses recognised on remeasurement of non-current assets held for sale		(510)	0
Disposals of non-current assets held for sale		(200)	(1,340)
At 31 March	**BS**	**1,340**	**25**

Note 11 d Property, Plant and Equipment Disclosures

Consolidated 2016	Board 2016		Note	Consolidated 2017	Board 2017
£000	£000			£000	£000
391,759	391,759	Purchased	11a	391,523	391,523
3,627	3,627	Donated	11b	4,306	4,306
395,386	**395,386**	**Net book value of property, plant and equipment at 31 March**		**395,829**	**395,829**
7,693	**7,693**	**Net book value related to land valued at open market value at 31 March**		**7,873**	**7,873**
25,166	**25,166**	**Net book value related to buildings valued at open market value at 31 March**		**24,560**	**24,560**
		Total value of assets held under:			
1,613	1,613	Finance Leases		1,552	1,552
80,919	80,919	PFI and PPP Contracts		79,496	79,496
82,532	**82,532**			**81,048**	**81,048**
		Total depreciation charged in respect of assets held under:			
61	61	Finance leases		61	61
1,773	1,773	PFI and PPP contracts		2,408	2,408
1,834	**1,834**			**2,469**	**2,469**

Property was fully revalued by an independent valuer, The Valuation Office Agency at 31st March 2017 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 Statetment 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 £0.400m, (2015/16 increase of £20.319m) which was credited to the revaluation reserve. Impairment of £1.532m (2015/16 £2.218m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

The net impact was a reduction in value of £1,132k.

Note 12 Inventories

Consolidated 2016	Board 2016		Consolidated 2017	Board 2017
£000	£000		£000	£000
3,921	3,921	Raw Materials and Consumables	4,090	4,090
3,921	**3,921**	**Net book value of property, plant and equipment at 31 March**	**4,090**	**4,090**

Note 13 Trade and Other Receivables

Consolidated 2016 £000	Board 2016 £000		Note	Consolidated 2017 £000	Board 2017 £000
943	943	Boards		620	620
943	**943**	**NHS Scotland receivables due within 1 year**		**620**	**620**
127	127	NHS Non-Scottish Bodies		34	34
590	590	VAT recoverable		908	908
1,672	1,672	Prepayments		2,211	2,211
2,466	2,466	Accrued income		2,088	2,088
3,784	4,255	Other Receivables		4,457	3,847
2,305	2,305	Reimbursement of provisions		4,000	4,000
10,944	**11,415**	**Other receivables due within one year**	**BS**	**13,698**	**13,088**
11,887	**12,358**	**Total receivables due within one year**		**14,318**	**13,708**
23,390	23,390	Reimbursement of Provisions		44,578	44,578
23,390	**23,390**	**Total Receivables due after more than one year**	**BS**	**44,578**	**44,578**
35,277	**35,748**	**Total Receivables**		**58,896**	**58,286**
1,104	**1,104**	**Provision for impairment included above**		**39**	**39**
		WGA Classification			
943	943	NHSScotland		620	620
350	350	Central Government Bodies		262	262
725	727	Whole of Government Bodies		506	506
127	127	Balances with NHS Bodies in England and Wales		34	34
33,132	33,601	Balances with bodies external to Government		57,474	56,864
35,277	**35,748**	**Total current liabilities**		**58,896**	**58,286**
		Movement on the provision for impairment of receivables:			
46	46	At 1 April		1,104	1,104
1,065	1,065	Provision for impairment		(1,065)	(1,065)
(21)	(21)	Receivables written off during the year as uncollectable		0	0
14	14	Unused amounts reversed		0	0
1,104	**1,104**	**As at 31st March**		**39**	**39**

As of 31 March 2017, receivables with a carrying value of £39,000 (2016: £1,104,000) were impaired and provided for. The amount of the provision was £39,000 (2016: £1,104,000). The ageing of these receivables is as follows:

1,087	1,087	3 to 6 months past due	0	0
17	17	Over 6 months past due	39	39
1,104	**1,104**	**As at 31st March**	**39**	**39**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2017, receivables with a carrying value of £2,006,000 (2016: £2,646,000) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2,458	2,458	Up to 3 months past due	1,782	1,782
87	87	3 to 6 months past due	119	119
101	101	Over 6 months past due	105	105
2,646	**2,646**	**As at 31st March**	**2,006**	**2,006**

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities and Universities. 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;

2,646	**2,646**	**Existing customers with no defaults in the past**	**2,006**	**2,006**

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.

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

35,277	**35,748**	**Pounds**	**58,896**	**58,286**

All non-current receivables are due within 5 years (2015-16: 25 years) from the balance sheet date.
The carrying amount of short term receivables approximates their fair value.
The fair value of long term other receivables is £nil (2015-16: £nil).
The effective interest rate on non-current other receivables is 0% (2015-16:0%).

Note 14 **Available for Sale Financial Assets**

Consolidated 2016 £000	Board 2016 £000		Note	Consolidated 2017 £000	Board 2017 £000
0		Government Securities		0	
10,646		Other		10,086	
10,646	**0**	**Total Assets Available for Sale**	**BS**	**10,086**	**0**
12,563		At 1 April		10,646	
1,085		Additions		364	
(2,467)		Disposals		(1,997)	
(535)		Revaluation surplus / (deficit) transfered to equity		1,073	
10,646	**0**	**At 31 March**		**10,086**	**0**
0		Current	BS	0	
10,646		Non-current	BS	10,086	
10,646	**0**	**At 31 March**		**10,086**	**0**

Note 15 Cash and Cash Equivalents

	2016 £000	2017 £000
Balance at 1 April	607	546
Net change in cash and cash equivalent balances	(61)	(6)
Balance at 31 March	**546**	**540**
Overdrafts	0	0
Total Cash - Cash Flow Statement	**546**	**540**
The following balances at 31 March were held at:		
Government Banking Service	94	91
Commercial banks and cash in hand	23	24
Endowment cash	429	425
Balance at 31 March	**546**	**540**

Note 16 Trade and Other Payables

Consolidated 2016 £000	Board 2016 £000		Note	Consolidated 2017 £000	Board 2017 £000
2,805	**2,805**	**NHS Scotland payables due within 1 year**		**4,683**	**4,683**
117	117	Amounts Payable to General Fund		117	117
14,076	14,076	FHS Practitioners		11,123	11,123
958	958	Trade Payables		3,247	3,247
19,629	19,629	Accruals		18,037	18,037
228	228	Deferred income		460	460
16	16	Net obligations under Finance Leases		17	17
886	886	Net obligations under PPP / PFI Contracts		1,727	1,727
6,923	6,923	Income tax and social security		7,959	7,959
5,404	5,404	Superannuation		5,500	5,500
223	223	Holiday Pay Accrual		223	223
455	455	EC Carbon Emissions		446	446
393	341	Other payables		537	462
49,308	**49,256**	**Other payables due within one year**	**BS**	**49,393**	**49,318**
52,113	**52,061**	**Total payables due within one year**		**54,076**	**54,001**
17	17	Net obligations under Finance Leases due within 2 years		19	19
60	60	Net obligations under Finance Leases due after 2 years but within 5 years		64	64
211	211	Net obligations under Finance Leases due after 5 years		188	188
1,026	1,026	Net obligations under PPP / PFI Contracts due within 2 years		1,979	1,979
4,686	4,686	Net obligations under PPP / PFI Contracts due after 2 years but within 5 ye		8,256	8,256
64,945	64,945	Net obligations under PPP / PFI Contracts due after 5 years		58,133	58,133
1,172	1,172	Deferred income		1,014	1,014
72,117	**72,117**	**Total payables due after more than one year**	**BS**	**69,653**	**69,653**
124,230	**124,178**	**Total payables**		**123,729**	**123,654**
		WGA Classification			
2,805	2,805	NHSScotland		4,683	4,683
12,329	12,329	Central Government Bodies		13,463	13,463
11	11	Whole of Government Bodies		3	3
109,085	109,033	Balances with bodies external to Government		105,580	105,505
124,230	**124,178**	**Total current liabilities**		**123,729**	**123,654**
		Borrowings included above comprise:			
304	304	Finance Leases		288	288
71,543	71,543	PFI Contracts		70,095	70,095
71,847	**71,847**	**As at 31st March**		**70,383**	**70,383**
		The carrying amount and fair value of the non-current borrowings are as follows			
288	288	Finance Leases		271	271
70,657	70,657	PFI Contracts		68,368	68,368
70,945	**70,945**	**As at 31st March**		**68,639**	**68,639**
		The carrying amount of receivables are denominated in the following currencies:			
124,230	**124,178**	**Pounds**		**123,729**	**123,654**

Note 17 **Provisions - Consolidated and Board**

	Pensions & similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non-endowment)	Total
	£000	£000	£000	£000	£000
At 1 April 2016	7,058	27,242	22,153	433	56,886
Arising during year	274	2,452	18,191	206	21,123
Utilised during year	(540)	(998)	(1,166)	(132)	(2,836)
Unwinding during year	720	26,806	(17)		27,509
Reversed unutilised	(45)	(4,750)	(2,885)	(379)	(8,059)
At 31 March 2017	**7,467**	**50,752**	**36,276**	**128**	**94,623**
The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross. The amount of any expected reimbursements are separately disclosed as receivables in note 13.					
Payable in one year	544	4,000	7,670		12,214
Payable between 2 - 5 years	7,467	46,752	16,613		70,832
Payable between 6 - 10 years			795		795
Thereafter	(544)		11,198	128	10,782
At 31 March 2017	**7,467**	**50,752**	**36,276**	**128**	**94,623**

Provisions - Consolidated and Board Prior Year

	Pensions & similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non-endowment)	Total
	£000	£000	£000	£000	£000
At 1 April 2015	7,568	29,048	22,266	534	59,416
Arising during year	256	7,157	6,560	114	14,087
Utilised during year	(565)	(2,071)	(2,058)	(98)	(4,792)
Unwinding during year	(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**
Payable in one year	543	2,527	6,412	431	9,913
Payable between 2 - 5 years	6,515	24,715	8,730	2	39,962
Payable between 6 - 10 years			819		819
Thereafter			6,192		6,192
At 31 March 2016	**7,058**	**27,242**	**22,153**	**433**	**56,886**

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal NHS Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the NHS 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 0.24% 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. Other provisions include an amount of £107k in respect of the Board's estimated liability arising from equal pay claims.

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

		2016 £000	2017 £000
Provision recognising individual claims against the NHS Board as at 31 March	17	27,568	50,880
Associated CNORIS receivable at 31 March	13	(25,695)	(48,578)
Provision recognising the NHS Board's liability from participating in the scheme a	17	22,153	36,276
Net Total Provision relating to CNORIS at 31 March		**24,026**	**38,578**

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

Note 18 Movement on Working Capital Balances

2016 Net Movement £000		Note	2017 Opening	2017 Closing £000	2017 Net Movement £000
	Inventories				
(72)	Balance Sheet	12	3,921	4,090	
(72)	**Net Increase in Inventories**				**(169)**
	Trade and Other Receivables				
(3,595)	Due within one year	13	12,358	13,708	
3,960	Due after more than one year	13	23,390	44,578	
			35,748	58,286	
365	**Net Increase in Trade and other Receivables**				**(22,538)**
	Trade and Other Payables				
(2,288)	Due within one year	16	52,061	54,001	
24,382	Due after more than one year	16	72,117	69,653	
190	Less: Property, Plant & Equipment (Capital) included above		0	(1,984)	
0	Less: General Fund Creditor included in above	16	(117)	(117)	
(24,560)	Less: Lease and PFI Creditors included in above	16	(71,847)	(70,383)	
			52,214	51,170	
(2,276)	**Net Decrease in Trade and other Payables**				**(1,044)**
	Provisions				
(2,530)	Balance Sheet	17	56,886	94,623	
(2,530)	**Net Increase in Provisions**				**37,737**
(4,513)	**Net Increase (decrease) in Working Capital**				**13,986**

Note 19 Contingent Liaiblities

The following contingent liabilities have not been provided for in the accounts;

2016 £000		2017 £000
15,431	Clinical and medical compensation payments	13,567
218	Employer's liability	222
31	Third party liability	30
0	Other - Girvan Groundwater Monitoring	50
15,680	**Total Contingent Liabilities**	**13,869**
14,790	Clinical and medical compensation payments	11,639
25	Employer's liability	30
14,815	**Total Contingent Assets**	**11,669**

Note 20 Events After the End of the Reporting Year

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

Note 21 Capital Commitments

The Board has the following capital commitments which have **not** been provided for in the accounts

2016 £000		2017 £000
5,232	Building for Better Care	122
45	North Ayrshire Community Hospital Adviser Fees	
	University Hospital Crosshouse Endoscopy Suite	477
	University Hospital Ayr Front Door Works	311
5,277	**Total Capital Commitments**	**910**
750	Crosshouse Hospital Value Adding	750
200	Capital to Save on Revenue - Energy Schemes	250
115	Biggart management of Road Risk	
1,268	University Hospital Crosshouse Endoscopy	
350	University Hospital Ayr Asceptic Suite	
	University Hospital Ayr Endoscopy	1,449
	Tarryholm Drive Project, Irvine	1,123
	University Hospital Ayr Biomass/CHP	1,265
	Biggart Biomass/CHP	420
2,683	**Total Authorised but not Contracted**	**5,257**

Note 22 Commitments Under Operating Leases

Total future minimum payments under leases are stated below

2016 £000		2017 £000
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
74	Later than five years	65
123	**Total Land**	**114**
45	Not later than one year	35
51	Later than one year, not later than 2 years	6
96	**Total Buildings**	**41**
126	Not later than one year	179
126	**Total Other**	**179**
126	Hire of equipment (including vehicles)	179
67	Other operating leases	51
193	**Total Amounts charged to Operating Costs in year**	**230**

Commitments Under Finance Leases

Total net obligation under finance leases is analysed in Note 16 (Payables)

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	223
(117)	Less interest element		(100)
304	**Total Finance Leases (Buildings)**		**288**

Aggregate Rentals Receivable in the year

209	**Total of finance & operating leases**	**209**

Note 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 also day facilities for Frail Eldelry/ and Elderly Mental Ill and Outpatinet 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 shares a site in Irvine with the Ayrshire Central Hospital. The building is a Non- Profit Distributing model (NPD) and reached practical completion and handover on the 1st April 2016. The building provides a Mental Health and Frail Elderly inpatient facility for Ayrshire. The 25 year contract period commenecd on the 1st April 2016 and will be completed on the 31st March 2041. At the end of the contract period the building will revert to NHS ownership.

2016		East Ayrshire Community Hospital	Ayrshire Maternity Unit	Woodland View	2017
£000		£000	£000	£000	£000
3,757	Rentals due within 1 year	1,917	1,899	4,066	7,882
3,793	Due within 1 to 2 years	1,958	1,816	4,068	7,842
11,629	Due within 2 to 5 years	6,221	5,617	12,221	24,059
81,394	Due after 5 years	3,364	27,608	78,060	109,032
100,573	**Gross Minimum Lease Payments**	**13,460**	**36,940**	**98,415**	**148,815**
	less;				
(2,871)	Rentals due within 1 year	(1,319)	(1,470)	(3,366)	(6,155)
(2,767)	Due within 1 to 2 years	(1,185)	(1,366)	(3,312)	(5,863)
(6,943)	Due within 2 to 5 years	(2,309)	(3,922)	(9,572)	(15,803)
(16,449)	Due after 5 years	(436)	(14,255)	(36,208)	(50,899)
(29,030)	**Interest Element**	**(5,249)**	**(21,013)**	**(52,458)**	**(78,720)**
	giving				
886	Rentals due within 1 year	598	429	700	1,727
1,026	Due within 1 to 2 years	773	450	756	1,979
4,686	Due within 2 to 5 years	3,912	1,695	2,649	8,256
64,945	Due after 5 years	2,928	13,353	41,852	58,133
71,543	**Present value of minimum lease payments**	**8,211**	**15,927**	**45,957**	**70,095**
	Rentals due within 1 year	1,618	357	1,422	3,397
1,813	Due within 1 to 2 years	1,658	366	1,457	3,481
	Due within 2 to 5 years	5,099	1,127	4,481	10,707
	Due after 5 years	7,309	6,123	28,379	41,811
1,813	**Service elements due in future periods**	**15,684**	**7,973**	**35,739**	**59,396**
73,356	**Total Commitments**	**23,895**	**23,900**	**81,696**	**129,491**

3,585	**Interest charges**	**6,882**
121	**Contingent rents (included in Other charges)**	**185**

Note 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 £49.5m were payable to the SPPA (prior year £48.0m) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £0K (prior year £80K) 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 £1.75m 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	2017 £000
Pension cost charge for the year	39,570	40,278
Additional Costs arising from early retirement	293	540
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,764	1,750
Pension costs for the year for staff transferred from local authority	0	0

Note 25 **Exceptional items and prior year adjustments**

There are no prior year adjustment which have been recognised in these accounts.

Note 26 **Restated Financial Statements**

There are no related financial statements requiring disclosure

Note 27 **Finanical Instruments - Financial Assets and Liabilities**

2016		Note	Loans and Receivables	Available for sale	2017
£000	**Financial Assets - Consolidated**		£000	£000	£000
10,646	Investments	14		10,086	10,086
6,377	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	6,579		6,579
546	Cash and cash equivalents	15	540		540
17,569	**Financial Assets per Balance Sheet**		**7,119**	**10,086**	**17,205**
	Financial Assets - Board				
6,848	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	5,969		5,969
117	Cash and cash equivalents	32c	115		115
6,965	**Financial Assets per Balance Sheet**		**6,084**	**0**	**6,084**

2016		Note	2017
£000	**Financial Liabilities - Consolidated**		£000
304	Finance lease liabilities	16	288
71,543	PFI Liabilities	16	70,095
35,851	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	33,730
107,698	**Financial Liabilities per Balance Sheet**		**104,113**
	Financial Liaiblities - Board		
304	Finance lease liabilities	16	288
71,543	PFI Liabilities	16	70,095
35,799	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	33,655
107,646	**Financial Liabilities per Balance Sheet**		**104,038**

Note 27 b **Finanical Risk Factors**

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. The NHS Board's activities do 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.

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.

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.

Liquidity	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
at 31st March 2017	**£000**	**£001**	**£000**	**£000**
PFI Liabilities	7,882	7,842	24,059	109,032
Finance lease liabilities	33	33	99	223
Trade and other payables excluding statutory liabilities		0	0	0
Total	**7,915**	**7,875**	**24,158**	**109,255**
at 31st 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	0	0	0
Financial Assets per Balance Sheet	**39,641**	**3,826**	**11,728**	**81,650**

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 and Price Risks

The NHS Board is not exposed to equity security price risk or equity security price risk.

Note 27 c Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

Note 28 Derivative Fianncial Instruments - Consolidated and Board

There are no derivative financial instruments in 2016-17 or prior years.

Note 29 Related Party Transactions

Ayrshire and Arran Endowment Funds are managed by Trustees who are also Directors of the Board (as notified in the Remuneration report) and is therefore a related party. During the year the Board received payments from Endowments of £1,580k and made payments of £138k with a balance of £259k due to the Board outstanding at year end. NHS Ayrshire and Arran is a sponsored body of the Scottish Government Health and Social Care Directorate which is regarded as a related party.

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 £118,021k, and made payments to the IJB of £136,324k. There is an outstanding balance of £159k 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 £138,013k, and made payments to the IJB of £157,433k. There is an outstanding balance of £1,623k at the year end, being the Board's share of the IJB deficit

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 £120,867k, and made payments to the IJB of £138,637k. There is an outstanding balance of £640k at the year end, being the Board's share of the IJB surplus.

The following Board members are also members of the Integration Joint Board shown:
Ms Lesley Bowie- Member of South Ayrshire Integration Joint Board,Mr Stewart Donnelly-Vice Chair of South Ayrshire Integration Joint Board, Ms Claire Gilmore-Member of South Ayrshire Integration Joint Board. Mr Bob Martin-Member of North Ayrshire Integration Joint Board, Ms 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, Prof. Hazel Borland-Member of East Ayrshire Integration Joint Board.

Note 30 **Segment Information**

	Acute	East Health & Social Care Partnership	North Health & Social Care Partnership	South Health & Social Care Partnership	Corporate	Group
	£000	£000	£000	£000	£000	£000
Net operating cost	329,229	144,154	136,262	95,063	123,763	828,471
Net operating cost - prior year	312,529	135,612	126,183	88,017	106,223	768,564

Note 31 **Third Party Assets**

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.

	2016	Gross Inflows	Gross Outflows	2017
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	643	341	(372)	612

Note 32 a **Consolidated Statement of Comprehensive Net Expenditure**

2016 Group		2017 Board	2017 Endowment	2017 Intergroup Adjustment	2017 East Health & Social Care Partnership	2017 North Health & Social Care Partnership	2017 South Health & Social Care Partnership	2017 Group
£000		£000	£000	£000	£000	£000	£000	£000
985,924	Hospital and Community	1,036,951						1,036,951
397,644	Less: Hospital and Community Income	402,591						402,591
588,280		**634,360**						**634,360**
183,892	Family Health	187,547						187,547
5,399	Less: Family Health Income	5,436						5,436
178,493		**182,111**						**182,111**
766,773	**Total Clinical Services Costs**	**816,471**						**816,471**
2,834	Administration Costs	2,752						2,752
16	Less: Administration Income	14						14
2,818		**2,738**						**2,738**
16,751	Other Non Clinical Services	25,528	3,074	(1,718)				26,884
17,634	Less: Other Operating Income	16,596	3,568	(1,718)				18,446
(883)		**8,932**	**(494)**	**0**				**8,438**
(144)	Associates and Joint Ventures - equity basis				(159)	1,623	(640)	**824**
768,564	**Net Expenditure**	**828,141**	**(494)**	**0**	**(159)**	**1,623**	**(640)**	**828,471**

Note 32 b Consolidated Group Balance Sheet

2016 Group £000			2017 Board £000	2017 Endowment £000	2017 Intergroup Adjustment £000	2017 East Health & Social Care Partnership £000	2017 North Health & Social Care Partnership £000	2017 South Health & Social Care Partnership £000	2017 Group £000
395,386	Property, plant and equipment	11a	395,829						395,829
	Financial assets:								
10,646	Available for sale financial assets	14		10,086					10,086
144	Investments in associates and joint ventures					159		640	943
23,390	Trade and other receivables	13	44,578						44,578
429,566	**Total non-current assets**		**440,407**	**10,086**	**0**	**159**	**0**	**640**	**451,436**
3,921	Inventories	12	4,090						4,090
	Financial assets:								
11,887	Trade and other receivables	13	13,708	869	(259)				14,318
546	Cash and cash equivalents	15	115	425					540
1,340	Assets classified as held for sale	11c	25						25
17,694	**Total current assets**		**17,938**	**1,294**	**-259**	**0**	**0**	**0**	**18,973**
447,260	**Total assets**		**458,345**	**11,380**	**-259**	**159**	**0**	**640**	**470,409**
(9,913)	Provisions	17	(12,214)						(12,214)
	Financial liabilities:								
(52,113)	Trade and other payables	16	(54,001)	(334)	259				(54,076)
(62,026)	**Total current liabilities**		**(66,215)**	**(334)**	**259**				**(66,290)**
385,234	**Non-current assets less net current liabilities**		**392,130**	**11,046**	**0**	**159**	**0**	**640**	**404,119**
(46,973)	Provisions	17	(82,409)						(82,409)
	Financial liabilities:								
(72,117)	Trade and other payables	16	(69,653)						(69,653)
0	Liabilities in associate and joint ventures		0				(1,623)		(1,623)
-119,090	**Total non-current liabilities**		**(152,062)**	**0**	**0**	**0**	**(1,623)**	**0**	**(153,685)**
266,144	**Assets less liabilities**		**240,068**	**11,046**	**0**	**159**	**(1,623)**	**640**	**250,434**
	Taxpayers' Equity								
161,635	General fund	SOCTE	149,186						149,186
93,813	Revaluation reserve	SOCTE	90,882						90,882
144	Other reserves - associates and joint ventu	SOCTE				159	(1,623)	640	(680)
10,552	Fund held on Trust	SOCTE		11,046					11,046
266,144	**Total taxpayers' equity**		**240,068**	**11,046**	**0**	**159**	**(1,623)**	**640**	**250,434**

Note 32 c

Consolidated Statement of Cash Flows

2016 Board	2017 Endowment	2017 Group		2017 Board	2017 Endowment	2017 Group
£000	£000	£000	**Cash flows from operating activities**	£000	£000	£000
-766,124	(2,440)	(768,564)	Net operating cost	(828,965)	494	(828,471)
17,284	192	17,476	Adjustments for non-cash transactions	15,570	(1,223)	14,347
3,687	0	3,687	Add back: interest payable recognised in net operating cost	6,899		6,899
0	(435)	(435)	Deduct: interest receivable recognised in net operating cost	0	(404)	(404)
365	(94)	271	(Increase) / decrease in trade and other receivables	(22,538)	(743)	(23,281)
-72	0	(72)	(Increase) / decrease in inventories	(169)		(169)
-2,276	557	(1,719)	Increase / (decrease) in trade and other payables	(1,044)	(315)	(1,359)
-2,530	0	(2,530)	Increase / (decrease) in provisions	37,737		37,737
-749,666	**(2,220)**	**(751,886)**	**Net cash outflow from operating activities**	**(792,510)**	**(2,191)**	**(794,701)**
			Cash flows from investing activities			
-43,798	0	(43,798)	Purchase of property, plant and equipment	(13,072)		(13,072)
0	(1,085)	(1,085)	Investment Additions		(363)	(363)
251	0	251	Proceeds of disposal of property, plant and equipment	1,582		1,582
0	2,809	2,809	Receipts from sale of investments		2,147	2,147
0	435	435	Interest received		403	403
-43,547	**2,159**	**(41,388)**	**Net cash outflow from investing activities**	**(11,490)**	**2,187**	**(9,303)**
			Cash flows from financing activities			
772,340	0	772,340	Funding	812,361		812,361
24,560	0	24,560	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(1,464)		(1,464)
-85	0	(85)	Interest paid	0		0
-3,602	0	(3,602)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(6,899)		(6,899)
793,213	**0**	**793,213**	**Net Financing**	**803,998**	**0**	**803,998**
0	(61)	(61)	Net Increase in cash and cash equivalents in the period	(2)	(4)	(6)
117	490	607	Cash and cash equivalents at the beginning of the period	117	429	546
117	**429**	**546**	**Cash and cash equivalents at the end of the period**	**115**	**425**	**540**
			Reconciliation of net cash flow to movement in net debt/cash			
0	(61)	(61)	Increase / (decrease) in cash in year	(2)	(4)	(6)
117	490	607	Net debt / cash at 1 April	117	429	546
117	**429**	**546**	**Net cash at 31 March**	**115**	**425**	**540**

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006