

Ayrshire and Arran Health Board
Annual Report and Accounts for the year ended 31 March 2018

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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 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 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 Board comprise:

- strategy development;
- resource allocations;
- implementation of the Local Delivery Plan; and
- 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 2013/2014, 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 2015/2016 and their accounts have been

consolidated in the Board accounts from April 2015. In 2017 a consultation on the arrangements in North and East Ayrshire concluded with no change proposed.

The Integration Joint Boards in Ayrshire and Arran had responsibility for the preparation of Strategic Plans and have objectives including minimising delayed discharge from hospital and reducing emergency admissions. In 2016/2017, £19.33 million of funding to health was earmarked for social care and was passed to Integration Joint Boards. This increased to £27 million in 2017/2018.

Acute Services

A 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.

Over £5 million of revenue has been invested recurrently over the last four years in unscheduled care capacity to manage increasing demand.

Mental Health / North Ayrshire Community Hospital

A £47 million community hospital in Irvine was built under the non-profit distributing model and opened in April 2016 which allowed consolidation of mental health inpatient beds from three sites and the modern premises will allow better clinical care, better observation and an improved environment for patients. Whilst most patients have moved off the Ailsa Hospital site, there remain Elderly Mental Health wards.

Capital Schemes

Capital expenditure totalling £8.6 million has been incurred in the year, which matches the capital allocation for the year. The following are the main capital spend areas during 2017/2018.

Capital Schemes	£000
Building for Better Care	119
Water infrastructure and lift upgrades	775
Electro Medical Equipment	3,226
IT Projects	1,308
Endoscopy decontamination	473
Furniture and Equipment	70
Energy Saving Projects	1,162
Laboratory	399
Paediatric ward isolation rooms	431
Diabetes day centre	227
Radiology reporting	176
Front door improvements - UHA	254
Other small capital projects	146
Capital receipts less profit and fees	(200)
Total:	8,566

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level of fraud/error for calendar year 2017 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	2017
Dental fees	£500,503	£380,481
Ophthalmic fees	£135,540	£130,108

Revenue Budget 2017/2018

Two thirds of the recurring funding uplift for NHS Ayrshire & Arran in 2016/2017 and 2017/2018 was earmarked by Scottish Government for social care. NHS Ayrshire & Arran passed this social care funding (£19.33 million and £7.7 million) to the three Health and Social Care Partnerships in Ayrshire.

The Board set a budget for 2016/2017, 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 of recurring efficiency savings. The Board was able to achieve a small surplus in 2016/2017 through non-recurring means; however had an underlying recurring deficit of £13.2 million carried into 2017/2018.

During 2017/2018, University Hospital Crosshouse and University Hospital Ayr had on average over 100 unfunded beds open throughout the year due to unscheduled care demand which (along with unachieved efficiency savings) led to an Acute Division overspend of £11.5 million. The Board required £23 million of brokerage from Scottish Government to cover the underlying deficit and overspends in 2017/2018.

Risks

The Governance Statement outlines the high risks within the strategic risk register and gives a fuller description of actions in relation to the four very high risks, which relates to lack of medical staff, GP workforce, primary care sustainability and ability to deliver efficiency savings to balance the budget.

Chief Executive Summary

The financial plan accompanying the last two local delivery plans projected NHS Ayrshire & Arran having a £13.2 million deficit in 2016/2017 and in 2017/2018. In each of these years, the majority of the funding uplift to the Board (two thirds in 2016/2017 and almost three quarters in 2017/2018) was earmarked for social care.

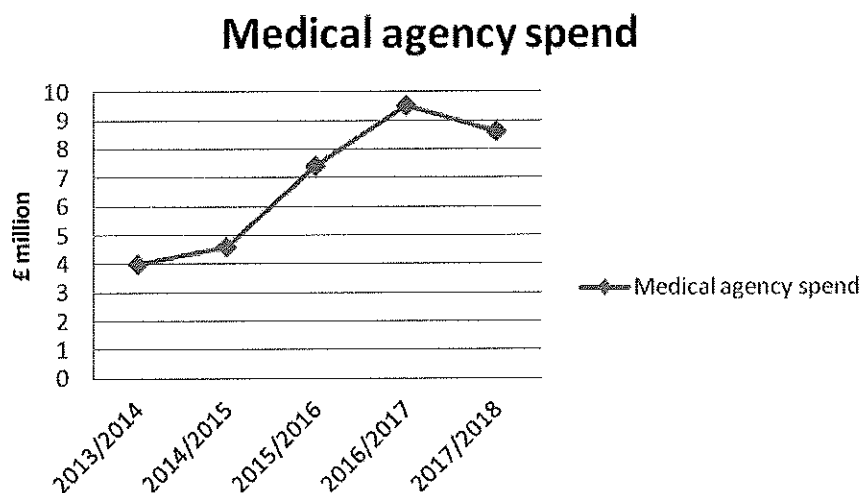
The 2016/2017 efficiency savings required to balance cost pressures were £38.2 million (equating to 5.75%). The Board agreed a cash releasing efficiency savings target of £25 million for 2016/2017 and tasked the Board's senior management team to bring forward a transformational change improvement programme to identify savings to address the £13.2 million recurring deficit, and to address the medium term sustainability of services.

Staffing and drugs costs accounts for about three quarters of spend against the Board revenue resource limit. Staffing costs (including agency) rose by 14.4% between 2013/2014 and 2017/2018, with 2% of the increase in 2016/2017 being due to a national insurance contribution increase as a result of the move to a state single pension. Medicines costs rose by over 25% between 2012/2013 and 2017/2018, mainly in hospital and new drugs costs.

The financial pressures in the system fall into three main areas:

- medical and nursing workforce;
- unscheduled care; and
- medicines.

Medical workforce challenges have seen spend on agency doctors double from around £4 million to over £8 million as shown in the graph below:

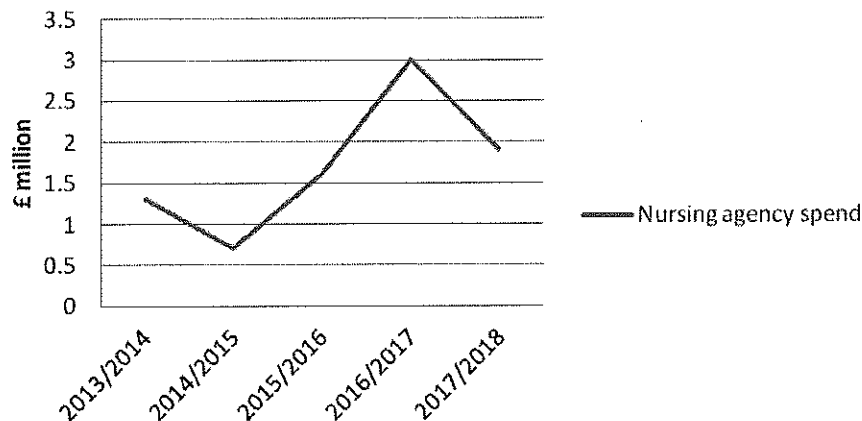


This is as a result of increasing medical vacancies and, as the cost of an agency doctor averages over twice the budget for the vacant post, a £5 million cost pressure arises. The use of locum doctors is a risk based decision and is always informed by the need to keep services safe for the citizens across Ayrshire. Redesigning services and using different skills is one way that we have sought to mitigate these issues. However, the availability of medical staff is unlikely to improve significantly in the medium term therefore changes to the skill mix requirement of role, or service redesign will be required to mitigate where possible. In 2017/2018, the agency

medical spend reduced by 10% to £8.6 million, however efforts will continue to reduce this cost.

Nurse agency spend had increased as shown in the graph below to over to £3 million in 2016/2017. Additional nursing staff have been recruited in response to the nursing workforce tools and this has resulted in agency spend reducing in 2017/2018 to £1.9 million with further reductions planned for 2018/2019.

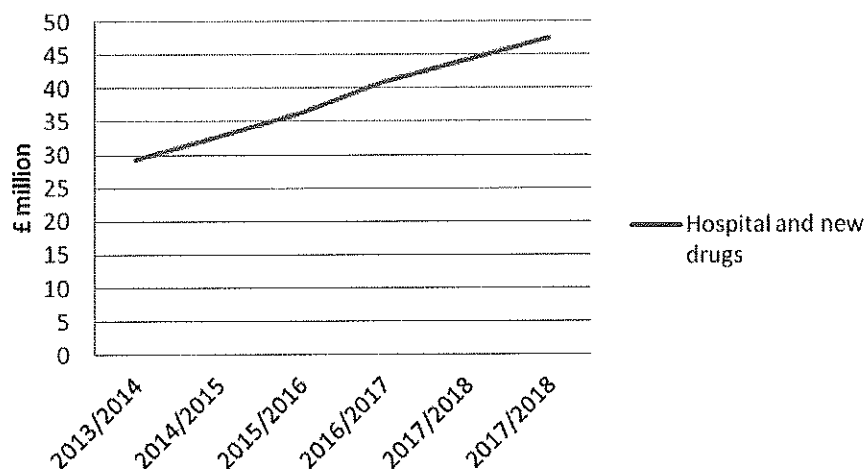
Nursing agency spend



The combination of unscheduled care demand, and delays in transferring patients to home or a social care setting, manifests in the use of an additional 100 beds across the acute hospitals. These beds were not planned or funded and the overspend in nursing alone to staff these beds was £6.3 million in 2017/2018.

In relation to medicines, volume expressed as number of items prescribed remains within the expected range however the financial challenge is driven by increasing cost per item. The expected cost per item on a primary care prescription was expected to be £10.16 in 2017/2018 however the average cost per item for the year was over £10.50. The graph below shows that hospital and new drug costs have increased by over 50% since 2012/2013.

Hospital and new drugs



2. Performance Analysis

Financial performance and position

	Limit as set by SGHSCD	Actual Outturn	Variance (over)/Under
	£000	£000	£000
1 Core Revenue Resource Limit	779,684	779,511	173
Non-core Revenue Resource Limit	34,729	34,729	0
Total Revenue Resource Limits	814,413	814,240	173
2 Core Capital Resource Limit:	8,566	8,566	0
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	8,566	8,566	0
3 Cash Requirement	834,560	834,560	0

Memorandum for In year outturn

£000

Reported Surplus in 2017/2018	173
Approved Carry-forward surplus from previous from previous financial year	137
Surplus against in year total Revenue Resource Limit	36

The accounts have been prepared under an accounts direction and on a going concern basis. As detailed in the Chief Executive summary above, the deficit budget of £13.2 million set for 2017/2018 and the additional nursing costs associated with 100 additional funded unscheduled care beds open during 2017/2018 were the main reasons for the requirement for £23 million of financial brokerage requested and secured from Scottish Government. Provision of brokerage is dedicated on a realistic plan to return to financial sustainability with the Board's commitment to achieve this through the Transformational Change Improvement Plan has been put in place. The 2018/2019 draft budget is not balanced and the Board is in discussion with Scottish Government about financial brokerage requirements for 2018/2019. Scottish Government have agreed that brokerage received in 2017/2018 will not be repayable until the Board is in financial balance.

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 Board from the PFI Project Company. The unitary charge paid in 2017/2018 was £2.41 million.

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 contract with HBG Construction Scotland Limited runs for 25 years to August 2025. At the end of the contract term, the Board has the option to acquire the building at a market valuation price from the PFI Project Company Special Purpose Vehicle. The unitary charge paid in 2017/2018 was £3.53 million.

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 Board. The unitary charge paid in 2017/2018 was £4.94 million.

Details of all PFI type contracts are provided in Note 18 of the financial statements.

Provisions

Note 13a to the accounts shows a provision for around £92 million in respect of clinical and medical legal claims against the Board and participation in the Clinical Negligence and other Risks Indemnity Scheme (CNORIS). In addition, note 14 shows a contingent liability for clinical and medical compensation.

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 13a the estimated future liability for NHS Ayrshire & Arran claims (£52.28 million) and there is a corresponding debtor due from CNORIS in note 9 in the amount of £49.7 million. In addition, note 13a reflect NHS Ayrshire & Arran's share of the national future CNORIS liability in the amount of £39.6 million.

Performance against Key Non-Financial Targets

The Board measures its progress toward achieving the Scottish Government's nine national health and wellbeing outcomes and the strategic improvement priority areas identified in the Local Delivery Plan (LDP) using a suite of performance indicators. The LDP gives detailed targets and trends for a number of key performance indicators towards achieving these outcomes. The Board also measures its performance against the financial targets set by the Scottish Government Health and Social Care Directorate. Performance against the financial targets is monitored by the management team and reported to the Board or Performance Committee on a monthly basis and these are monitored quarterly by the relevant Governance committee.

As explained in more detail in the Governance Statement, the Board has a formal system of risk identification and evaluation embedded throughout the organisation which seeks to manage risk and uncertainty. The Audit committee reviews and monitors all risks which are identified to it and produces an annual report. The Board has identified a number of corporate risks which the Board is currently managing and mitigating to ensure the achievement of the objectives of the LDP.

NHS Ayrshire and Arran is monitored by the Scottish Government against a number of indicators known as the 'Local Delivery Plan 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 2017/2018. 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 (with number 12 and 13 having a sub-indicator each). The performance against these indicators has been summarised in table 1 below, detailing a description of:

- Indicator;
- unit;
- baseline performance;
- latest performance (Actual and Planned) and
- target detail.

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

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

TABLE 1: LDP performance indicators 2017/18

ID	Indicator	Units/measure	Baseline		Latest Performance			Target Detail	
			Date	Value	Date	Actual	Planned	Performance Score	Date
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-16	26.1%	20.0%	GREEN	Dec-17
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%	Mar-18	92.9%	95%	GREEN	Mar-18
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%	Mar-18	86.1%	95%	RED	Mar-18
LDP.4	Dementia Post Diagnostic Support	Percentage of people newly diagnosed with a year's worth of post diagnostic support	2016/17	92.93%	2016/17	92.93%	100%	RED	2017/18
LDP.5	12 weeks 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-18	74.3%	100.0%	RED	Mar-18
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%	Mar-18	78.64%	90%	RED	Mar-18
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-18	84.85%	95.0%	RED	Mar-18
LDP.8	Early Access to Antenatal Services	Percentage of women booked for antenatal care by 12th week of gestation	Q.4 2010/11	69%	Jun-17	81.48%	80%	GREEN	Mar-18

ID	Indicator	Units/measure	Baseline		Latest Performance		Performance Score		Target Detail	
			Date	Value	Date	Actual	Planned		Date	Target
LDP 9	IVF Treatment Waiting Times	Percentage of eligible patients who will commence IVF treatment within 12 months	Q2 2014/15	100%	Q3 2017/18	100%	100%	GREEN	Q4 2017/18	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-18	98.51%	90%	GREEN	Mar-18	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-18	86.91%	90%	AMBER	Mar-18	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 2017/18	0.3	0.32	GREEN	Q4 2017/18	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-18	114	120	GREEN	Mar-18	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 2017/18	0.27	0.24	RED	Q4 2017/18	0.24
LDP 13b*	MRSA/MSSA Reduction Number	Staphylococcus aureus bacteraemia cases per 1,000 acute occupied bed days - number	Apr-11	45	Mar-18	107	84	RED	Mar-18	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-18	99%	90%	GREEN	Mar-18	90%
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	Q2 2017/18	4,019	1,567	GREEN	Q4 2017/18	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	Jan-18	349	567	RED	Mar-18	681

ID	Indicator	Units/measure	Baseline		Date	Latest Performance		Performance Score	Target Detail	
			Date	Value		Actual	Planned		Date	Target
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	91.8%	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	76.4%	90%	GREEN	2016/17	90%
LDP.19*	Sickness Absence	Percentage of sickness absence	Apr-09	4.47%	Mar-18	5.26%	4%	GREEN	Mar-18	4%
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-18	90.54%	95%	AMBER	Mar-18	95%
LDP.21*	Financial Performance	£000s	n/a	n/a	Mar-18	-£22,900,000	-£13,200,000	GREEN	Mar-18	-£13,200,000
LDP.22*	Cash Efficiencies	£000s	n/a	n/a	Mar-18	£19,551,000	£24,800,000	GREEN	Mar-18	£24,800,000

Notes:

* denotes locally gathered data

Based on the most up to date data available regarding the end of year position, eleven indicators were showing a Red position, nine were showing a Green position, and the remaining two were showing an Amber position.

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** (outwith >5% of trajectory) and **Amber** (currently within 5% of trajectory), the following comment and remedial action was provided by the service responsible:

LDP.3: 62-Day Cancer: Suspicion-of-Cancer Referrals (62 days)

Analysis: Latest data show a **RED** and **WORSENING** position with 86.1% of patients as at March 2018 having been referred urgently with a suspicion of cancer.

Remedial Action: Breach analyses are completed for each patient and these are sent to the General Manager and the Lead Clinician to ensure learning points are identified and actioned.

There is no consistent trend across the cancer specialties and drops below target tend to be as a result of specific issues with individual patient journeys including diagnostic tests at regional centres.

LDP.4: Dementia Post Diagnostic Support

Analysis: Latest data for 2016/2017 shows a **RED** result of 92.93% of patients who have been newly diagnosed with dementia having been offered a year's worth of post diagnostic support, against a target of 100%.

Remedial Action: Data has only recently started to be reported and it is understood that improvements will be made in the accuracy of data over the coming months.

LDP.5: 12 weeks Treatment Time Guarantee for Inpatient/Daycase treatment

Analysis: The latest data show a **RED** and **WORSENING** position whereby 74.3% of inpatient and daycase patients waited less than 84 days for treatment at the end of March 2018 against a target of 100%. During the winter months several hundred orthopaedic elective operations had to be cancelled due to emergency demand.

Remedial Action: Close scrutiny continues to take place, as well as financial support in recent months by the Scottish Government to help control local waiting list management more effectively.

LDP.6: 18 weeks Referral to Treatment - Performance

Analysis: The most up to date data are showing a **RED** and **IMPROVING** position as at March 2018 of 78.64% of combined admitted and non-admitted patient pathways to be treated within 18 weeks of referral against a trajectory of 90%.

Remedial Action: Individual specialties continue to implement, monitor and report

on their remedial action reports detailing their projected position and outcomes which is monitored on a weekly basis at both Acute Hospital sites, chaired by the Assistant Directors of Acute Services, and on a monthly basis by the Director of Acute Services. A weekly update on the outpatient stage of treatment situation is also provided to Scottish Government. It is believed that this is a thorough and prudent monitoring system but until pressures are alleviated it is unlikely that results will be reversed in the short term.

It is hoped that the improving position with outpatient stage of treatment performance will produce a corresponding improvement in the 18 week RTT performance.

LDP.7: New Outpatients: Maximum 12 weeks from Referral

Analysis: Most recent data shows performance as **RED** and **IMPROVING** as at March 2018 at with 84.85% of patients having started treatment within 12 weeks of referral, against a target of 95%.

Remedial Action: Individual specialties continue to implement, monitor and report on their remedial action reports detailing their projected position and outcomes. This is monitored on a weekly basis through an Access Group on both Acute Hospital sites, chaired by the Assistant Directors of Acute Services, and on a monthly basis by the Director of Acute Services. A weekly report of the outpatient situation is also provided to Scottish Government. The Service continues in its endeavor to mitigate under-performance through what is believed to be a thorough and prudent monitoring system, but until pressures are alleviated it is unlikely there will be a significant improvement in results in the short term.

LDP.11: Faster Access to Psychological Therapies – 18 weeks

Analysis: These data are showing an **AMBER** and slightly **WORSENING** position of 86.91% of patients being seen within 18 weeks in March 2018, compared to historically consistent RED results. This is based on 'adjusted' figures, i.e. excluding periods of patient unavailability.

Remedial Action: A whole system review of psychological services has been carried out, supported with additional Government funding and investment in improving access to Psychological Therapies. This is to ensure compliance with waiting times and improvement towards achieving the required LDP Standard. A number of service improvement initiatives and test of change pilots have been implemented with development of an action plan to ensure targeted improvement of the delivery standard.

LDP.13: MRSA/MSSA Reduction (Rate)

Analysis: The published data for Q4 2017/2018 for SABs is a **RED** result at 0.27 which exceeds the target position of 0.24.

Remedial Action: There has been an increase in the number of cases with an unknown point of entry. Further reviews are being carried out on the cases with an

unknown point of entry to establish the reason for the increase. Renal services undertake root cause analysis of all renal related SABs and the learning from these are shared at multi-disciplinary team meetings. Blood culture contaminants are not confined to one specific area therefore targeted intervention is not possible.

LDP.16: Smoking Cessation

Analysis: These local data show a **RED** position of 349 successful quits after 12 weeks against a trajectory of 567 of people residing in the 40% most deprived datazones in the NHS Board (i.e. two most deprived local quintiles), as at January 2018. As these data relate to all successful quits made throughout the month of January 2018, reporting is therefore subject to a timelag delay of 3 months.

Remedial Action: An information campaign has been 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. It should be noted however that there is an ever reducing section of the public who are cigarette smokers and therefore it will become increasingly difficult to achieve quits, particularly with an increased target.

LDP.18: Advance Booking – GP

Analysis: Nationally published data for this indicator showed a slight worsening in trend in performance, from 76.8% of patients in 2013/14 being able to book in advance to 76.4% in 2015/2016 against a target of 90%, therefore a **RED** and **WORSENING** position. The Scottish average for 2015/2016 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 result is 5.26%, against the full year average target of 4%. The local monthly data shows a **RED** and **IMPROVING** position from a revised result of 5.4% in February 2018 to 4.89% in March 2018 which means that the end of year target has not been reached.

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

- Monthly hotspot reports continue to be produced with focused resource within

those areas identified in order to audit processes and test understanding of the application of the policy;

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

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

Analysis: These local data are showing an **AMBER** and **WORSENING** position from 93.59% in February 2018 to 90.54% in March 2018, against a target of 95%.

Remedial Action: Ayr combined assessment unit opened in June 2017 following the opening of Crosshouse a year earlier. These have reduced A&E attendances at both sites. Winter pressures have placed great strain on both A&E departments causing a dip in performance against the four hour target.

Management teams at both Crosshouse and Ayr continue to seek sustained improvements. Plans are in place and further patient flow initiatives are being progressed.

LDP.21: Financial Performance

Analysis: The end of year position shows the Board being in a deficit of £22,900,000 against a target deficit of £13,200,000, which is therefore a **RED** result.

Remedial Action: The reasons for the increased overspend were having over 100 unfunded unscheduled care beds open and unachieved cash releasing efficiency savings. There are plans to close the unfunded beds by September 2018 and to carry-forward and address unachieved savings, however a deficit in 2018/2019 is still projected.

LDP.22: Cash Efficiencies

Analysis: The end of year position shows that £19,951,000 of cash releasing efficiency savings were achieved against a target of £24,800,000, which gives a **RED** result.

Remedial Action: Most of the unachieved cash releasing efficiency savings was in Acute and Mental Health services. The unachieved cash releasing efficiency savings will be carried forward into 2018/2019 and savings sought to address them.

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 2017/2018, average credit taken was 9 days from date invoice received. (2016/2017 was 8 days from invoice date).
- In 2017/2018, the Health Board paid 93% by volume and 95% by value of non-NHS suppliers within 30 days of the invoice being received, (compared to 94% and 95% in 2016/2017).
- Based on the date of invoices being received, 85% by volume and 87% by value were paid within 10 days in 2017/2018 (compared to 86% and 87% in 2016/2017).

Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the Remuneration Report. The NHS pension scheme is an unfunded multi-employer defined benefit scheme therefore future liabilities are not on the balance sheet. In 2017/2018, the Board employer contribution was 14.9% of relevant pay costs and amounted to £41.65 million.

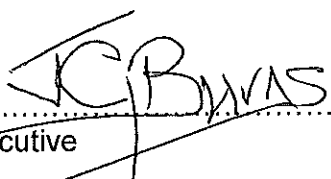
Sustainability and Environmental reporting

The Climate Change (Scotland) Act 2009 set out 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 & 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.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/>

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

Signed
Chief Executive



Date 25/6/18

B. ACCOUNTABILITY REPORT

Corporate Governance Report

a) The Directors' Report

Naming convention

NHS Ayrshire & 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 25 June 2018.

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

Prof H Borland, Nurse Director

Mrs L Bowie, Non-Executive Director (vice Chair)

Councillor L Brennan-Whitefield (from 7 June 2017)

Councillor J Cullinane (from 7 June 2017)

Mr S Donnelly, Employee Director

Councillor W Gibson, Non-Executive Director (until 30 April 2017)

Ms C Gilmore, Non-Executive Director

Dr A Graham, Medical Director

Councillor H Hunter, Non-Executive Director (until 30 April 2017)

Mr D Lindsay, Director of Finance

Mr R Martin, Non-Executive Director

Dr J McKay, Non-Executive Director

Mr S McKenzie, Non-Executive Director (until 31 March 2018)

Mr A McKie, Non-Executive Director

Councillor D Reid, Non-Executive Director

(until 30 April 2017 – reappointed 7 June 2017)

Miss 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 2018 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material; 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 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 25. 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 Ayrshire & Arran Health Board, Eglinton House, Ailsa Hospital, Dalmellington Road, Ayr KA6 6AB, or can be accessed on the Board's website at: <http://www.nhsaaa.net/about-us/how-we-make-decisions/ayrshire-and-arran-nhs-board/>.

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 Boards 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.

Remote Contingent Liabilities

Note 14 to the accounts discloses the value of contingency liabilities with the significant one related to CNORIS which is explained in note 13.

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](#).

Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. We intend to publish this data at the following link: [Public Services Reform \(Scotland\) Act 2010](#).

Requirements for the data to be disclosed within the annual report and accounts was unclear at the time of issue. The Cabinet Office published supporting guidance on 2 June 2018 which has clarified the data should be disclosed. Due to the timing of this confirmation, we were unable to collate reliable data to publish within the 2017/2018 annual report and accounts therefore we will publish from 2018/2019 onwards.

Personal data related incidents reported to the Information Commissioner

NHS Ayrshire & Arran did not report any information security breaches to the Information Commissioner's Office in 2017/2018.

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 2017/2018.

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 Board meeting held on 5 December 2012. These arrangements are kept under review to ensure that they remain fit for purpose. 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 2017/2018 and the Board has considered

and discussed the annual report for 2017/2018 produced by each of these committees. The Board is satisfied that the Governance Committees have fulfilled their remit.

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 also carries out its scrutiny role by receiving the following reports at every meeting:

- Healthcare associated infection;
- Scottish Patient Safety Programme updates;
- patient experience story;
- planned care;
- unscheduled care performance; 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 the executive team within 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. At the October 2017 annual Board development session, a survey on Board effectiveness was discussed to identify opportunities for improvement.

The Board reviews its Code of Corporate Governance annually, 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 in June 2017. 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. Governance arrangements have been established to ensure that they are aligned with the Board's governance arrangements.

The 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 Ministerial Annual Review took place during 2017/2018. In the 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;
- national reports such as Healthcare Improvement Scotland reviews.

The 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. No issues were escalated in 2017/2018.

In accordance with the principles of best value, the 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 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 four years, the resulting report has shown a low risk report classification. The internal audit annual report for 2017/2018 had an opinion that controls were "generally satisfactory with some improvements required".

The Financial Management Report is discussed at each Board meeting, which includes

efficiency measures. During the year, overspends on acute nurse staffing budgets were mainly as a result of beds having to be opened to meet unscheduled care demand that was not part of the Revenue Plan. This was the main reason for the deficit in 2017/2018 increasing from £13.2 million to nearly £23 million. A request was made to Scottish Government for brokerage of £23 million which was agreed.

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. In 2016/2017 the Board reviewed the Risk Management Strategy, Risk Appetite Statement, Adverse Events Policy and the Safety Action Notice Policy. The Risk Management Committee ensures that these matters are kept under review. There are four strategic risks which are rated as "very high risk":

1. Lack of medical staff;
2. failure to recruit to GP vacancies;
3. primary Care sustainability; and
4. inability to release sufficient efficiency savings to balance the budget.

To treat the risks related to medical staffing, the Medical Workforce Scrutiny Group reviews medical workforce gaps. Each vacancy is risk assessed and agency doctors are engaged to maintain safe services to our patients. 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 and 2017/2018, the lack of junior doctors has been mitigated by the funding and recruitment of thirteen additional clinical development/teaching fellows. The expenditure on medical agency reduced from £9.5 million in 2016/2017 to £8.6 million in 2017/2018.

Failure to recruit to GP vacancies contributes to the Board challenge around primary care sustainability. During 2017/2018 the Board managed three practices where the contract had been 'handed back' and attempts to attract new partners had been unsuccessful. These practices were supported with additional pharmacy, physiotherapy and mental health staff and locum GPs covered the medical needs to patients. This resulted in a significant additional cost to the Board. The new GP contract agreed nationally in early 2018 will make these practices more attractive and all practices in Ayrshire and Arran will be supported with pharmacist, psychology and other new specialist staff funded through the Primary Care Improvement Fund which rises nationally from £45.75 million in 2018/2019 to £55 million in 2019/2020, £110 million in 2020/2021 and £155 million in 2021/2022.

Achieving financial balance is identified in the strategic risk register as very high risk. To treat the risk a Transformational Change Improvement Plan was established alongside the cash releasing efficiency plan. The Transformational Change Improvement Plan identified eight strategic service change programmes, eight best value initiatives and

collaborative working with a range of other Health Boards. This plan is managed through the Board's Programme Management Office and scrutinised by the Transformation Leadership Group chaired by the Board's Vice Chair. During 2017/2018, in discussion with Health and Social Care Management Board (HSCMB) Directors NHS Ayrshire and Arran agreed to work with an external partner to review the Board's approach to efficiency and transformation. Pricewaterhouse Coopers were appointed and carried out a diagnostic review. Further discussion with HSCMB Directors in early 2018 offered tailored support to the Board and an Improvement Director was engaged by the Board.

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

- IT security resource;
- transformational change programme (2);
- promoting attendance;
- personal development review;
- statutory management of the estate;
- statutory management of occupational road risk;
- delivery of the approved capital plan;
- achieving the legal treatment time guarantee;
- exposure to malware via e-mail;
- information governance.

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 2017/2018, out of 20,328 planned day cases and inpatients seen, some 2,829 patients were treated outwith the 12-week treatment time guarantee. This means that 86.1% of patients requiring an operation were admitted within 12 weeks of their outpatient appointment.

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

In addition, over this year two unannounced OPAH Inspections were carried out, one at University Hospital Crosshouse between 12-14th September 2017 (which identified five areas of good practice and nine areas for improvement) and the other at Ayrshire Central Hospital between 14-15th February 2018 (which resulted in four requirements and one recommendation). Action plans and reporting arrangements are in place to ensure improvements identified are fully completed.

Over 2016/2017 there was concern raised through Scottish Government about the "significant event" review process in our Maternity Services, as not thought to be in line with the Board's guidance. This was disclosed in the Governance Statement last year. The process adopted in Maternity Services was reviewed over 2017 by a Team brought together by Health Improvement Scotland (HIS). The recommendations of this review have been subject to improvements over 2017/2018 and formally reported and monitored through the delivery of three reports (to date) to HIS. Further investment of

£0.4 million for a quality team in maternity team was made in early 2017/2018.

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). These matters were investigated and appropriate action taken. Internal audit carried out a review of gifts and hospitality as part of the 2017/2018 internal audit programme which had a risk classification of medium and highlighted 6 recommendations. An action plan was agreed to address the recommendations.

An internal audit review of Information Technology disaster recovery preparations had one high risk recommendation related to assessing the operational disruption risk at executive level of either testing or not testing the disaster recovery procedures. The action plan for this has a target date of 31 August 2018.

Subject to the above, during the 2017/2018 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 Board is the Chair of the Remuneration Committee.

The Remuneration Committee membership is as follows:-

Dr Martin Cheyne, Chair
Councillor William Gibson (until 30 April 2017)
Councillor Joe Cullinane (from 15 August 2017)
Mr Stewart Donnelly
Mr Stephen McKenzie (until 22 March 2018)

The committee met two times during 2017/2018. The committee is responsible for providing assurance to the 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 2017/2018.

Remuneration (salary, benefits in kind and pensions) 2017 -18

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)
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
Executive						
Mr J Burns, Chief Executive	135 - 140	0	0.0	135 - 140	0	135 - 140
Mr D Lindsay, Director of Finance	105 - 110	0	2.5	105 - 110	9	115 - 120
Dr A Graham, Medical Director	160 - 165	0	0.0	160 - 165	0	160 - 165
Professor. H Borland, Nurse Director	85 - 90	0	0.0	85 - 90	32	115 - 120
Non-executive						
Dr M Cheyne, Chairman	30 - 35	0	0.0	30 - 35	0	30 - 35
Mrs L Bowie	10 - 15	0	0.0	10 - 15	0	10 - 15
Mrs M Anderson	5 - 10	0	0.0	5 - 10	0	5 - 10
Councillor L Brennan-Whitefield (from 7 June 2017)	5 - 10	0	0.0	5 - 10	0	5 - 10
Councillor J Cullinane (from 7 June 2017)	5 - 10	0	0.0	5 - 10	0	5 - 10
(ii) Mr S Donnelly	55 - 60	0	3.5	55 - 60	5	60 - 65
Councillor W Gibson (left 30 April 2017)	0 - 5	0	0.0	0 - 5	0	0 - 5
Ms C Gilmore	10 - 15	0	0.0	10 - 15	0	10 - 15
Councillor H Hunter (left 30 April 2017)	0 - 5	0	0.0	0 - 5	0	0 - 5
Mr R Martin	10 - 15	0	0.0	10 - 15	0	10 - 15
(iii) Dr J McKay	65 - 70	0	4.1	70 - 75	2	70 - 75
Mr S McKenzie (left 31 March 2018)	5 - 10	0	0.0	5 - 10	0	5 - 10
Mr A McKie	10 - 15	0	0.0	10 - 15	0	10 - 15
Councillor D Reid (left 30 April 2017, from 7 June 2017)	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	10 - 15	0	0.0	10 - 15	0	10 - 15

(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 31/03/2018 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2018 (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 31/03/2017 (£'000)	(iv) Cash Equivalent Transfer Value (CETV) at 31/03/2018 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55 - 60	170 - 175	0	0	1,252	1,261	9
Mr D Lindsay, Director of Finance	35 - 40	85 - 90	0 - 2.5	0	617	645	27
Dr A Graham, Medical Director	60 - 65	185 - 190	0 - 2.5	0 - 2.5	1,252	1,302	25
Professor. H Borland, Nurse Director	35 - 40	100 - 105	0 - 2.5	0 - 2.5	653	700	47
Mr S Donnelly, Non-executive Director	20 - 25	65 - 70	0 - 2.5	0 - 2.5	475	497	17
Dr J McKay, Non-executive Director	20 - 25	70 - 75	0 - 2.5	0 - 2.5	506	529	16

(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 2016/2017;

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.

Fair Pay Disclosures

2016/2017		2017/2018	
Range of staff remuneration	16,113 - 284,543	Range of staff remuneration	16,532- 283,854
Highest Earning Director's Total Remuneration (£000's)	170-175	Highest Earning Director's Total Remuneration (£000's)	160-165
Median Total Remuneration	29,297	Median Total Remuneration	29,489
Ratio	5.89	Ratio	5.51

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 & Arran in the financial year 2017/2018 was £160,000-£165,000 (2016/2017 was £170,000-£175,000). In 2017/2018 this was 5.51 times the median remuneration of the workforce, which was

£29,498 while in 2016/2017 this was 5.89 times the median remuneration, which was £29,297.

There was an increase of 0.7% year on year in the median remuneration of the workforce. During 2017/2018, there were 38 clinical members of staff whose remuneration was higher than the highest earning director. During 2016/2017, there were 17 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

a) Higher Paid Employees' Remuneration

Employees whose remuneration fell within the following ranges:

	2018 Number	2017 Number
Employees whose remuneration fell within the following ranges:		
Clinicians		
£ 70,001 to £ 80,000	52	41
£ 80,001 to £ 90,000	41	41
£ 90,001 to £100,000	44	45
£100,001 to £110,000	33	35
£110,001 to £120,000	28	36
£120,001 to £130,000	38	38
£130,001 to £140,000	32	24
£140,001 to £150,000	24	18
£150,001 to £160,000	17	20
£160,001 to £170,000	14	15
£170,001 to £180,000	6	7
£180,001 to £190,000	8	5
£190,001 to £200,000	6	2
£200,001 and above	5	6
Other		
£ 70,001 to £ 80,000	14	7
£ 80,001 to £ 90,000	3	5
£ 90,001 to £100,000	0	1
£100,001 to £110,000	4	3
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	1	1
£140,001 and above	0	0

d Sickness Absence

	2018	2017
Sickness absence rate	5.3%	5.1%

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

In accordance with the Staff Governance Standards, NHS Ayrshire & 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 & 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 PACKAGES

Exit package cost band	2018			
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000			0	
£10,000 - £25,000			0	
£25,000 - £50,000			0	
£50,000 - £100,000		1	1	80
£100,000- £150,000			0	
£150,000- £200,000			0	
£200,000- £250,000			0	
>£250,000			0	
Total number of exit packages by type	0	1	1	

Total resource cost (£000)	0	80	80
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EXIT PACKAGES - PRIOR YEAR

Exit package cost band	2017			
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000			0	
£10,000 - £25,000			0	
£25,000 - £50,000			0	
£50,000 - £100,000		1	1	64
£100,000- £150,000			0	
£150,000- £200,000			0	
£200,000- £250,000			0	
>£250,000			0	0
Total number of exit packages by type	0	1	1	

Total resource cost (£000)	0	64	64
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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.

Reference	Description	2017/2018 £000
CNORIS	Total claims paid under the CNORIS scheme	2,833
Other losses	Others	377

In the year to 31 March 2018, the following balances in excess of £250,000 were written off:

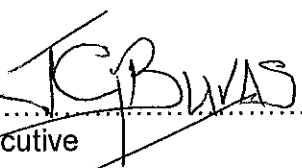
In 2017/2018, the Board was required to pay out £1.5 million as a lump sum and £120,000 of periodic payment in respect of one claim individually greater than £250,000 settled under the CNORIS scheme. The Board also paid £670,251 in the year in respect of another clinical negligence claim. Further details 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 13a.

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Ayrshire & Arran charges for services provided on a full cost basis whenever applicable. NHS Ayrshire & 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 £2.6 million offset the costs for the year of £2.6 million. In addition the Board provided a payroll service to another Board and charged £0.04 million.

Signed
Chief Executive



Date 25/6/18

Audit Report

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

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 2018 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Summary of Resource Outturn, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Consolidated Summary 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 2017/2018 Government Financial Reporting Manual (the 2017/2018 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 2018 and of the 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 2017/2018 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 (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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, the audited part of the Remuneration and Staff Report, and our independent auditor's report. 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, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 matters prescribed by the Auditor General for Scotland

In our opinion, the audited 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:

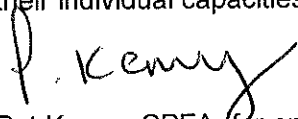
- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

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

We have nothing to report in respect of these matters.


Use of our report

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.



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

25 June 2018

NHS Ayrshire and Arran		
Statement of Consolidated Comprehensive Net Expenditure		
for the year ended 31st March 2018		

2017 £000		Note	2018 £000
395,844	Staff costs	3a	411,737
103,376	Independent Primary Care Services	3b	105,377
152,265	Drugs and medical supplies		153,333
602,649	Other health care expenditure		630,677
1,254,134	Gross expenditure for the year		1,301,124
(426,487)	Less: operating income	4	(442,197)
824	Associates and joint ventures accounted for on an equity basis		546
828,471	Net expenditure for the year		859,473
Other Comprehensive Net Expenditure			
(400)	Net (gain) / loss on revaluation of property, plant and equipment		(18,852)
(1,073)	Net (gain) / loss on revaluation of available for sale financial assets		470
(1,473)	Other Comprehensive Expenditure		(18,382)
826,998	Comprehensive Net Expenditure		841,091

Pensions and similar obligations

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

The presentation of the Consolidated Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Ayrshire and Arran. The comparative information in respect of 2016-17 has been presented above in the new format.

Comparative information in respect of 2016-17 has not been restated.

Full details of changes to the presentation of the Statement of Comprehensive Net Expenditure are disclosed in Note 20.

NHS Ayrshire and Arran
Summary of Resource Outturn
for the year ended 31st March 2018



	Note	2018 £000
Summary Of Core Revenue Resource Outturn		
Net Operating Costs	SOCNE	859,473
Total Non-Core Expenditure (see below)		(34,729)
Family Health Services Non-Discretionary Allocation		(43,499)
Donated Assets Income	2a	350
Endowment Net Operating Costs		(1,538)
Associates and Joint Ventures accounted for on an equity basis		(546)
Total Core Expenditure		779,511
Core Revenue Resource Limit		779,684
Saving against Core Revenue Resource Limit (RRL)		173
Summary Of Non-Core Revenue Resource Outturn		
Capital Grants to Other Bodies		1,278
Depreciation / Amortisation		13,609
Annually Managed Expenditure - Impairments		7,666
Annually Managed Expenditure - Creation of Provisions		3,581
Annually Managed Expenditure - Depreciation of Donated Assets	2a	450
Annually Managed Expenditure - Pension Valuation		10
Additional SGHSCD non-core funding		8,135
IFRS PFI Expenditure		0
Total Non-Core Expenditure		34,729
Non Core Revenue Resource Limit		34,729
Excess against Non Core Revenue Resource Limit (RRL)		0

Summary Resource Outturn

	Resource £000	Expenditure £000	Saving (Excess) £000
Core	779,684	779,511	173
Non-Core	34,729	34,729	0
Total	814,413	814,240	173

NHS Ayrshire and Arran
Consolidated Statement of Financial Position
for the year ended 31st March 2018



Consolidated 2017	Board 2017			Consolidated 2018	Board 2018
£000	£000		Note	£000	£000
395,829	395,829	Property, plant and equipment	7a	402,643	402,643
		Financial assets:			
10,086	0	Available for sale financial assets	10	9,592	0
943	0	Investments in associates and joint ventures		1,678	0
<u>44,578</u>	<u>44,578</u>	Trade and other receivables	9	<u>25,960</u>	<u>25,960</u>
451,436	440,407	Total non-current assets		439,873	428,603
4,090	4,090	Inventories	8	4,597	4,597
		Financial assets:			
14,318	13,708	Trade and other receivables	9	40,984	41,257
540	115	Cash and cash equivalents	11	427	142
<u>25</u>	<u>25</u>	Assets classified as held for sale	7b	<u>0</u>	<u>0</u>
18,973	17,938	Total current assets		46,008	45,996
470,409	458,345	Total assets		485,881	474,599
(12,214)	(12,214)	Provisions	13a	(32,524)	(32,524)
		Financial liabilities:			
(54,076)	(54,001)	Trade and other payables	12	(71,661)	(71,565)
<u>(1,623)</u>	<u>0</u>	Liabilities in associates and joint ventures	24	<u>0</u>	<u>0</u>
(67,913)	(66,215)	Total current liabilities		(104,185)	(104,089)
402,496	392,130	Non-current assets less net current liabilities		381,696	370,510
(82,409)	(82,409)	Provisions	13a	(66,839)	(66,839)
		Financial liabilities:			
(69,653)	(69,653)	Trade and other payables	12	(67,580)	(67,580)
<u>0</u>	<u>0</u>	Liabilities in associates and joint ventures		<u>(2,904)</u>	<u>(2,904)</u>
(152,062)	(152,062)	Total non-current liabilities		(137,323)	(134,419)
250,434	240,068	Assets less liabilities		244,373	236,091
		Taxpayers' Equity			
149,186	149,186	General fund	SOCTE	130,905	130,905
90,882	90,882	Revaluation reserve	SOCTE	105,186	105,186
(680)	0	Other reserves - associates and joint ventures	SOCTE	(1,226)	0
11,046	0	Fund held on Trust	SOCTE	9,508	0
250,434	240,068	Total taxpayers' equity		244,373	236,091

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

Adopted by the Board on

25 June 2018

Director of Finance

Derek Lindsay

Chief Executive


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NHS Ayrshire and Arran
Statement of Consolidated Cash Flows
for the year ended 31st March 2018



2017 £000		Note	2018 £000	2018 £000
	Cash flows from operating activities			
(828,471)	Net operating cost	SoCTE	(859,473)	
14,347	Adjustments for non-cash transactions	2a	21,539	
6,899	Add back: interest payable recognised in net operating cost	2b	6,926	
0	Deduct: interest receivable recognised in net operating cost	4	0	
(404)	Investment income		(392)	
<u>12,928</u>	Movements in working capital	2c	<u>13,443</u>	
(794,701)	Net cash outflow from operating activities	27c		(817,957)
	Cash flows from investing activities			
(13,072)	Purchase of property, plant and equipment		(8,791)	
(364)	Investment Additions	10	(583)	
1,582	Proceeds of disposal of property, plant and equipment		331	
2,147	Receipts from sale of investments		607	
<u>404</u>	Interest received		<u>392</u>	
(9,303)	Net cash outflow from investing activities	27c		(8,044)
	Cash flows from financing activities			
812,361	Cash drawn down	SoCTE	834,560	
(1,464)	Capital element of payments in respect of finance leases and		(1,746)	
0	On-balance sheet PFI contracts		0	
	Interest paid	2c		
<u>(6,899)</u>	Interest element of finance leases and	2b	<u>(6,926)</u>	
<u>803,998</u>	On-balance sheet PFI/PPP contracts	27c		825,888
	Net Financing			
(6)	Net decrease in cash and cash equivalents in the period	11		(113)
546	Cash and cash equivalents at the beginning of the period			540
540	Cash and cash equivalents at the end of the period			427
	Reconciliation of net cash flow to movement in net debt/cash:			
(6)	Increase / (decrease) in cash in year			(113)
546	Net debt / cash at 1 April			540
540	Net cash at 31 March			427

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

NHS Ayrshire and Arran				
Consolidated Summary of Changes in Taxpayers' Equity				
for the year ended 31st March 2018				
				

		General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 31 March 2017		149,186	90,882	(680)	11,046	250,434
Balance at 1 April 2017		149,186	90,882	(680)	11,046	250,434
Changes in taxpayers' equity for 2017 :						
Net gain on revaluation of property, plant and equipment	7a		18,852			18,852
Net loss on revaluation of available for sale financial assets	10		0			0
Impairment of property, plant and equipment			(6,074)			(6,074)
Revaluation & impairments taken to operating costs	2a		6,074			6,074
Transfers between reserves		4,548	(4,548)			0
Net operating cost for the year	CFS	(857,389)		(546)	(1,538)	(859,473)
Total recognised income and expense for 2017/18		(852,841)	14,304	(546)	(1,538)	(840,621)
Funding:						
Drawn down	CFS	834,560				834,560
Balance at 31 March 2018	BS	130,905	105,186	(1,226)	9,508	244,373

		General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
Prior Year	Note	£000	£000	£000	£000	£000
Balance at 31 March 2016		161,635	93,813	144	10,552	266,144
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	7a		400			400
Impairment of property, plant and equipment	10		(1,531)			(1,531)
Revaluation & impairments taken to operating costs	2a		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

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 25 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 26 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.

31. Standards, amendments and interpretations issued in the current year but not yet effective.

The following standards, amendments and interpretations were issued in the current year but are not yet effective and have not been applied:

- IFRS 9 Financial Instruments. The standard is expected to be applied, through Government Financial Reporting Manual interpretation, in 2018/19. Application of the standard is not expected to have a material effect on the financial statements.
- IFRS 15 Revenue from Contracts with Customers. The standard is expected to be applied, through Government Financial Reporting Manual interpretation, in 2018/19. Application of the standard is not expected to have a material effect on the financial statements.
- IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after January 2019. This means that for NHS Ayrshire and Arran, the standard will be effective for the year ending 31 March 2020. IFRS16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

Note 2 Notes to the Cash Flow Statement

2017 £000		Note	2018 £000		
Note 2a Consolidated adjustment fo non-cash transactions					
14,129	Depreciation	7a	14,455		
400	Depreciation Donated Assets	7a	450		
1,531	Impairments on PPE charged to SOCNE		6,074		
0	Loss on remeasurement of non-current assets held for sale		0		
(1,072)	Funding Of Donated Assets	7a	(350)		
(242)	Profit on disposal of property, plant and equipment		(106)		
824	Investment in IJB		546		
<u>(1,223)</u>	Realised (gain) / loss on investments		<u>470</u>		
14,347	Total Expenditure Not Paid In Cash	CFS	21,539		
Note 2b Consolidated adjustment fo non-cash transactions					
Interest payable					
6,882	PFI Finance lease charges allocated in the year	18	6,907		
17	Other Finance lease charges allocated in the year		19		
<u>0</u>	Provisions - Unwinding of discount		<u>0</u>		
6,899	Total Interest Payable		6,926		
Note 2c Consolidated movements in working capital					
2017 £000		Note	2017 £000	2018 £000	2018 £000
Inventories					
(169)	Balance Sheet	8	4,090	<u>4,597</u>	
(169)	Net increase	8			(507)
Trade and Other Receivables					
(2,093)	Due within one year		14,318	40,984	
(21,188)	Due after more than one year		<u>44,578</u>	<u>25,960</u>	
		CFS	58,896	66,944	
(23,281)	Net increase				(8,048)
Trade and Other Payables					
1,625	Due within one year		54,076	71,661	
(2,464)	Due after more than one year		69,653	67,580	
(1,984)	Less: property, plant & equipment (capital) included in above		0	0	
0	Less: General Fund creditor included in above		(117)	(117)	
1,464	Less: lease and PFI creditors included in above		<u>(70,383)</u>	<u>(68,637)</u>	
		CFS	53,229	70,487	
(1,359)	Net (increase) / decrease				17,258
Provisions					
37,737	Statement of Financial Position	13a	94,623	99,363	
	Transfer from provision to General Fund		<u>0</u>	<u>0</u>	
		CFS	94,623	99,363	
37,737	Net decrease				4,740
12,928	Net movement - (decrease) / increase				13,443

Note 3 Operating Expenses

2017 Board £000	2017 Consolidated £000		2018 Board £000	2018 Consolidated £000
		Note 3a Staff Costs		
86,504	86,504	Medical and Dental	89,746	89,746
174,399	174,399	Nursing	181,632	181,632
<u>134,941</u>	<u>134,941</u>	Other Staff	<u>140,359</u>	<u>140,359</u>
395,844	395,844	Total Staff Costs	411,737	411,737
Further detail and analysis of employee costs can be found in the Remuneration and Staff Report forming part of the Accountability Report.				
		Note 3b Other Operating Costs		
		Independent Primary Care Services		
53,867	53,867	General Medical Services	54,876	54,876
14,887	14,887	Pharmaceutical Services	15,282	15,282
26,894	26,894	General Dental Services	27,125	27,125
<u>7,728</u>	<u>7,728</u>	General Ophthalmic Services	<u>8,094</u>	<u>8,094</u>
103,376	103,376		105,377	105,377
		Drugs and Medical Supplies		
78,999	78,999	Prescribed drugs Primary Care	80,207	80,207
44,316	44,316	Prescribed drugs Secondary Care	43,744	43,744
<u>28,950</u>	<u>28,950</u>	Medical Supplies	29,382	29,382
152,265	152,265		153,333	153,333
		Other health care expenditure		
433,696	433,696	Contribution to Integration Joint Boards	455,200	455,200
58,465	58,465	Goods and services from other NHS Scotland bodies	59,525	59,525
671	671	Goods and services from other UK NHS bodies	519	519
3,627	3,627	Goods and services from private providers	4,164	4,164
5,708	5,708	Goods and services from voluntary organisations	5,420	5,420
43	43	Resource Transfer	43	43
0	0	Loss on disposal of assets	0	0
98,913	98,913	Other operating expenses	102,831	102,831
170	170	External Auditor's remuneration - statutory audit fee	220	220
<u>0</u>	<u>1,356</u>	Endowment Fund expenditure	<u>0</u>	<u>2,755</u>
601,293	602,649		627,922	630,677
856,934	858,290	Other Operating Expenditure	886,632	889,387

Note 4 Operating Income

2017 Board £000	2017 Consolidated £000		2018 Board £000	2018 Consolidated £000
		Note		
23,621	23,621	Income from other NHS Scotland bodies	24,710	24,710
603	603	Income from NHS non-Scottish bodies	659	659
171	171	Income from private patients	168	168
376,901	376,901	Income for services commissioned by Integration Joint Board	390,069	390,069
5,436	5,436	Patient charges for primary care	5,406	5,406
1,072	1,072	Donations	350	350
242	242	Profit on disposal of assets	106	106
		Non NHS:		
40	40	Overseas patients (non-reciprocal)	15	15
0	1,850	Endowment Fund Income	0	1,217
<u>16,551</u>	<u>16,551</u>	Other	<u>19,497</u>	<u>19,497</u>
424,637	426,487	Total Income	SoCNE 440,980	442,197

Note 5 Consolidated Statement of Comprehensive Net Expenditure

	Acute	East HSCP	North HSCP	South HSCP	Corporate	Group
	£000	£000	£000	£000	£000	£000
Net operating cost	341,044	151,215	138,814	99,378	129,022	859,473
Net operating cost - prior year	329,229	144,154	136,262	95,063	123,763	828,471

Note 6 Intangible Assets (Non-Current) Consolidated Board

	2017 £000	2018 £000
Software Licences		
Cost or Valuation		
At 1st April	21	21
At 31st March	21	21
Amortisation		
At 1st April	21	21
At 31st March	21	21
Net Book Value		
At 1st April	0	0
At 31st March	0	0

Note 7 a

Property, Plant and Equipment : 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 2017	16,893	352,177	1,006	273	82,936	30,425	10,616	12,166	506,492
Additions Purchased	0	2,714	0	0	3,232	1,308	85	1,452	8,791
Additions Donated	0	0	0	0	350	0	0	0	350
Completions	0	9,671	0	0	0	0	0	(9,671)	0
Revaluation	81	7,892	0	0	0	0	0	0	7,973
Impairment Charge	(650)	(2,683)	(450)	0	0	0	0	(2,474)	(6,257)
Disposals Purchased	0	(200)	0	0	(26,594)	(24,598)	(2,951)	0	(54,343)
Disposals Donated	0	0	0	(66)	(1,946)	0	0	0	(2,012)
At 31 March 2018	16,324	369,571	556	207	57,978	7,135	7,750	1,473	460,994
Depreciation									
At 1 April 2017	0	712	0	273	72,021	27,986	9,671	0	110,663
Provided during the year Purchased	0	11,014	17	0	2,266	882	276	0	14,455
Provided during the year Donated	0	93	0	0	357	0	0	0	450
Completions	0	0	0	0	0	0	0	0	0
Revaluation	0	(10,862)	(17)	0	0	0	0	0	(10,879)
Impairment Charge	0	(183)	0	0	0	0	0	0	(183)
Disposals Purchased	0	0	0	0	(26,594)	(24,598)	(2,951)	0	(54,143)
Disposals Donated	0	0	0	(66)	(1,946)	0	0	0	(2,012)
At 31 March 2018	0	774	0	207	46,104	4,270	6,996	0	58,351
Net book value at 1 April 2017	16,893	351,465	1,006	0	10,915	2,439	945	12,166	395,829
Net book value at 31 March 2018 (B£)	16,324	368,797	556	0	11,874	2,865	754	1,473	402,643
Open Market Value of Land in Land and Dwellings included above	6,784		520						
Asset financing:									
Owned - purchased	16,324	281,323	556	0	10,748	2,865	754	1,473	314,043
Owned - donated	0	3,130	0	0	1,126	0	0	0	4,256
Held on finance lease	0	1,491	0	0	0	0	0	0	1,491
On-balance sheet PFI contracts	0	82,853	0	0	0	0	0	0	82,853
Net book value at 31 March 2018	16,324	368,797	556	0	11,874	2,865	754	1,473	402,643

Note 7 a

Property, Plant and Equipment : 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 2016	16,723	311,810	2,372	273	79,888	29,293	10,149	53,232	503,740
Additions Purchased	130	2,915	0	0	4,279	1,132	467	6,133	15,056
Additions Donated	0	832	0	0	240	0	0	0	1,072
Completions	0	47,057	0	0	0	0	0	(47,057)	0
Transfers to non-current assets held for sale	(16)	(9)	0	0	0	0	0	0	(25)
Revaluation	81	(10,311)	(45)	0	0	0	0	0	(10,295)
Impairment Charge	(5)	(117)	(1,321)	0	0	0	0	(142)	(1,585)
Disposals Purchased	0	0	0	0	(1,471)	0	0	0	(1,471)
Disposals Donated	0	0	0	0	0	0	0	0	0
At 31 March 2017	16,893	352,177	1,006	273	82,936	30,425	10,616	12,166	506,492
Depreciation									
At 1 April 2016	0	651	0	273	71,408	27,259	8,763	0	108,354
Provided during the year Purchased	0	10,641	88	0	1,765	727	908	0	14,129
Provided during the year Donated	0	81	0	0	319	0	0	0	400
Completions	0	0	0	0	0	0	0	0	0
Transfers to non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(10,658)	(37)	0	0	0	0	0	(10,695)
Impairment Charge	0	(3)	(51)	0	0	0	0	0	(54)
Disposals Purchased	0	0	0	0	(1,471)	0	0	0	(1,471)
Disposals Donated	0	0	0	0	0	0	0	0	0
At 31 March 2017	0	712	0	273	72,021	27,986	9,671	0	110,663
Net book value at 1 April 2016	16,723	311,159	2,372	0	8,480	2,034	1,386	53,232	395,386
Net book value at 31 March 2017 (B£)	16,893	351,465	1,006	0	10,915	2,439	945	12,166	395,829
Open Market Value of Land in Land and Dwellings included above	7,353		520						
Asset financing:									
Owned - purchased	16,893	267,244	1,006	0	9,782	2,439	945	12,166	310,475
Owned - donated	0	3,173	0	0	1,133	0	0	0	4,306
Held on finance lease	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	351,465	1,006	0	10,915	2,439	945	12,166	395,829

Note 7 b. Assets held for Sale
 The NHS Board currently has no Assets Held for Sale.

Assets held for Sale - Consolidated and Board	2017 £000	2018 £000
At 1 April	1,340	25
Transfers (to) / from property, plant and equipment	7a 25	0
Gain or losses recognised on remeasurement of non-current assets held for sale	0	0
Disposals of non-current assets held for sale	(1,340)	(25)
At 31 March	BS 25	0

Note 7c. Property, Plant and Equipment Disclosures

Consolidated 2017 £000	Board 2017 £000		Consolidated 2018 £000	Board 2018 £000
391,523	391,523	Purchased	7a 398,387	398,387
4,306	4,306	Donated	7b 4,256	4,256
395,829	395,829	Net book value of property, plant and equipment at 31 March	402,643	402,643
7,873	7,873	Net book value related to land valued at open market value at 31 March	7,304	7,304
24,560	24,560	Net book value related to buildings valued at open market value at 31 March	24,767	24,767
Total value of assets held under:				
1,552	1,552	Finance Leases	1,491	1,491
79,496	79,496	PFI and PPP Contracts	82,853	82,853
81,048	81,048		84,344	84,344
Total depreciation charged in respect of assets held under:				
61	61	Finance leases	61	61
2,408	2,408	PFI and PPP contracts	2,665	2,665
2,469	2,469		2,726	2,726

All land and 100% of buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2018 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £18.852m (2016-17: an increase of £0.400m) which was credited to the revaluation reserve. Impairment of £6.074m (2016-17: £1.532m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource.

The impairment figure of £6.074m mainly relates to the downward movement in the receipt potential of the surplus land on the Ayrshire Central site, the removal of buildings on the Ailsa campus as part of the ongoing demolition programme, writing off advisor fees related to the original mental health business case, and the impairment to the new A&E and combined assessment unit at Ayr Hospital.

Note 7d Analysis of Capital Expenditure

2017		2018
£000		£000
15,056	Acquisition of Property, plant and equipment 7a	8,791
<u>1,072</u>	Donated Asset Additions 7a	<u>350</u>
16,128	Gross Capital Expenditure	9,141
0	Net book value of disposal of property, plant and equipment	200
1,340	Value of disposal of Non-Current Assets held for sale 7b	25
<u>1,072</u>	Donated Asset Income	<u>350</u>
2,412	Capital Income	575
13,716	Net Capital Expenditure	8,566
Summary of Capital Resource Outturn		
13,642	Core capital expenditure included above	8,566
<u>13,643</u>	Core Capital Resource Limit	<u>8,566</u>
1	Saving against Core Capital Resource Limit (CRL)	0
74	Non Core capital expenditure included above	0
<u>74</u>	Non Core Capital Resource Limit	<u>0</u>
0	Saving against Non Core Capital Resource Limit (CRL)	0
13,716	Total Capital Expenditure	8,566
13,717	Total Capital Resource Limit	8,566
1	Saving against Total Capital Resource Limit	0

Note 8 Inventories

Consolidated 2017 £000	Board 2017 £000		Consolidated 2018 £000	Board 2018 £000
<u>4,090</u>	<u>4,090</u>	Raw Materials and Consumables	<u>4,597</u>	<u>4,597</u>
4,090	4,090	Net book value of property, plant and equipment at 31 March	4,597	4,597

Note 9 Trade and Other Receivables

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
620	620	Boards	SFR 30	692	692
620	620	NHS Scotland receivables due within 1 year		692	692
34	34	NHS Non-Scottish Bodies		132	132
908	908	VAT recoverable		1,000	1,000
2,211	2,211	Prepayments		1,687	1,687
2,088	2,088	Accrued income		2,112	2,112
4,457	3,847	Other Receivables		11,594	11,867
4,000	4,000	Reimbursement of provisions		23,767	23,767
13,698	13,088	Other receivables due within one year		40,292	40,565
14,318	13,708	Total receivables due within one year	BS	40,984	41,257
44,578	44,578	Reimbursement of Provisions		25,960	25,960
44,578	44,578	Total Receivables due after more than one year	BS	25,960	25,960
58,896	58,286	Total Receivables		66,944	67,217
39	39	Provision for impairment included above		58	58
WGA Classification					
620	620	NHS Scotland		692	692
262	262	Central Government Bodies		188	188
506	506	Whole of Government Bodies		647	647
34	34	Balances with NHS Bodies in England and Wales		132	132
57,474	56,864	Balances with bodies external to Government		65,285	65,558
58,896	58,286	Total Current Receivables		66,944	67,217
Movement on the provision for impairment of receivables:					
1,104	1,104	At 1 April		39	39
(1,065)	(1,065)	Provision for impairment		19	19
0	0	Receivables written off during the year as uncollectable		0	0
0	0	Unused amounts reversed		0	0
39	39	As at 31st March		58	58

As of 31 March 2018, receivables with a carrying value of £0.058m (2017: £0.039m) were impaired and provided for. The ageing of these receivables is as follows:

0	0	3 to 6 months past due	0	0
39	39	Over 6 months past due	58	58
39	39	As at 31st March	58	58

The receivables assessed as individually impaired were mainly 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 2018, receivables with a carrying value of £1.461 million (2017: £2.006 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

1,782	1,782	Up to 3 months past due	851	851
119	119	3 to 6 months past due	469	469
105	105	Over 6 months past due	142	142
2,006	2,006	As at 31st March	1,461	1,461

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

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

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

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

2,006	2,006	Existing customers with no defaults in the past	1,461	1,461
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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:

58,896	58,286	Pounds	66,944	67,217
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All non-current receivables are due within 5 years (2016 : 5 years) from the balance sheet date.

A single exception exists - 100% reimbursement due to NHS A&A equal to an annual payment by The Board of a Clinical Negligence settlement during the agreement period.

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

The fair value of long term other receivables is £nil (2016 : £nil).

The effective interest rate on non-current other receivables is 0 % (2016 : 0 %).

Pension liabilities are discounted at 0.1 % (2016 : 0.24 %).

Note 10 Available for Sale Financial Assets

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
0		Government Securities		0	
<u>10,086</u>		Other		<u>9,592</u>	
10,086	0	Total Assets Available for Sale	BS	9,592	0
10,646		At 1 April		10,086	
364		Additions		583	
(1,997)		Disposals		(607)	
<u>1,073</u>		Revaluation surplus / (deficit) transferred to equity		<u>(470)</u>	
10,086	0	At 31 March		9,592	0
0		Current	BS	0	
<u>10,086</u>		Non-current	BS	<u>9,592</u>	
10,086	0	At 31 March		9,592	0

Note 11. Cash and Cash Equivalents

2017 £000		2018 £000
546	Balance at 1 April	540
(6)	Net change in cash and cash equivalent balances	(113)
540	Balance at 31 March	427
0	Overdrafts	0
540	Total Cash - Cash Flow Statement	427
The following balances at 31 March were held at:		
91	Government Banking Service	118
24	Commercial banks and cash in hand	24
<u>425</u>	Endowment cash	<u>285</u>
540	Balance at 31 March	427

Note 12 Trade and Other Payables

Consolidated 2017	Board 2017			Consolidated 2018	Board 2018
£000	£000		Note	£000	£000
4,683	4,683	NHS Scotland payables due within 1 year	SFR 30.0	8,178	8,178
0	0	NHS Non-Scottish bodies	SFR 30.2	23	23
117	117	Amounts Payable to General Fund		117	117
18,378	18,378	FHS Practitioners		18,824	18,824
3,247	3,247	Trade Payables		2,473	2,473
18,037	18,037	Accruals		23,660	23,660
460	460	Deferred income		261	261
17	17	Net obligations under Finance Leases	17	19	19
1,727	1,727	Net obligations under PPP / PFI Contracts	18	1,973	1,973
7,959	7,959	Income tax and social security	SFR 30.1	8,366	8,366
5,500	5,500	Superannuation		5,640	5,640
223	223	Holiday Pay Accrual		223	223
446	446	EC Carbon Emissions		420	420
537	462	Other payables		1,485	1,389
56,648	56,573	Other payables due within one year		63,484	63,387
61,331	61,256	Total payables due within one year	SoFP	71,662	71,565
19	19	Net obligations under Finance Leases due within 2 years	17	20	20
64	64	Net obligations under Finance Leases due after 2 years but within 5 years	17	68	68
188	188	Net obligations under Finance Leases due after 5 years	17	164	164
1,979	1,979	Net obligations under PPP / PFI Contracts due within 2 years	18	2,330	2,330
8,256	8,256	Net obligations under PPP / PFI Contracts due after 2 years but within 5 years	18	9,069	9,069
58,133	58,133	Net obligations under PPP / PFI Contracts due after 5 years	18	54,994	54,994
1,014	1,014	Deferred income		935	935
69,653	69,653	Total payables due after more than one year	BS	67,580	67,580
130,984	130,909	Total payables		139,242	139,146
4,683	4,683	WGA Classification			
13,463	13,463	NHS Scotland		8,178	8,178
3	3	Central Government bodies		8,366	8,366
0	0	Whole of Government bodies		(5)	(5)
0	0	Balances with NHS bodies in England and Wales		23	23
105,580	105,505	Balances with bodies external to Government		122,679	122,583
123,729	123,654	Total current liabilities		139,242	139,146
288	288	Borrowings included above comprise:			
70,095	70,095	Finance Leases		271	271
70,383	70,383	PFI Contracts		68,366	68,366
		As at 31st March		68,637	68,637
271	271	The carrying amount and fair value of the non-current borrowings are as follows			
68,368	68,368	Finance Leases		252	252
68,639	68,639	PFI Contracts		66,393	66,393
		As at 31st March		66,645	66,645
123,729	123,654	The carrying amount of receivables are denominated in the following currencies:			
		Pounds		139,241	139,145

Note 13 a. Provisions - Consolidated and Board

	Pensions & similar obligations £000	Clinical & Medical Legal Claims against NHS £000	Participation in CNORIS £000	Other (non- endowment) £000	Total £000
At 1 April 2017	7,467	50,752	36,276	128	94,623
Arising during the year	266	17,988	7,835	421	26,510
Utilised during the year	(541)	(2,618)	(1,448)	(166)	(4,773)
Unwinding of discount	91		(146)	0	(55)
Reversed unutilised	(67)	(13,841)	(2,886)	(148)	(16,942)
At 31 March 2018	7,216	52,281	39,631	235	99,363
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 9.					
Payable in one year	544	26,203	5,777		32,524
Payable between 2 - 5 years	6,672	18,398	22,556		47,626
Payable between 6 - 10 years		600	808		1,408
Thereafter		7,080	10,490	235	17,805
At 31 March 2018	7,216	52,281	39,631	235	99,363

Note 13 a. Provisions - Consolidated and Board Prior Year

	Pensions & similar obligations £000	Clinical & Medical Legal Claims against NHS £000	Participation in CNORIS £000	Other (non- endowment) £000	Total £000
At 1 April 2016	7,058	27,242	22,153	433	56,886
Arising during year	274	29,258	18,191	206	47,929
Utilised during year	(540)	(998)	(1,166)	(132)	(2,836)
Unwinding during year	720		(17)		703
Reversed unutilised	(45)	(4,750)	(2,885)	(379)	(8,059)
At 31 March 2017	7,467	50,752	36,276	128	94,623
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

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 13(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.

Note 13 b. Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

		2017 £000	2018 £000
Provision recognising individual claims against the NHS Board as at 31 March	13a	50,880	52,517
Associated CNORIS receivable at 31 March	9	(48,578)	(49,727)
Provision recognising the NHS Board's liability from participating in the scheme £	17	36,276	39,631
Net Total Provision relating to CNORIS at 31 March		38,578	42,421

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 14 **Contingent Liabilities**

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

2017		2018
£000		£000
13,567	Clinical and medical compensation payments	18,474
222	Employer's liability	94
30	Third party liability	10
50	Other - Girvan Groundwater Monitoring	50
13,869	Total Contingent Liabilities	18,628
11,639	Clinical and medical compensation payments	14,325
30	Employer's liability	0
11,669	Total Contingent Assets	14,325

Note 15 **Events After the End of the Reporting Year**

There are no events after the end of the reporting period that would have a material effect on the accounts. The Accounting Officer authorised these financial statements for issue on 25 June 2018.

Note 16 Capital Commitments

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

2017 £000		2018 £000
122	Building for Better Care	0
477	University Hospital Crosshouse Endoscopy Suite	0
311	University Hospital Ayr Front Door Works	0
0	University Hospital Crosshouse Static X-Ray Room 1	220
0	University Hospital Crosshouse Managed Lab Service	145
0	Tarryholm Drive, Irvine Project	538
910	Total Capital Commitments	903
750	Crosshouse Hospital Value Adding	750
250	Capital to Save on Revenue - Energy Schemes	140
1,449	University Hospital Crosshouse Endoscopy	0
1,123	Tarryholm Drive Project, Irvine	0
1,265	University Hospital Ayr Biomass	700
420	Biggart Biomass/CHP	0
0	University Hospital Crosshouse OMFS Treatment Room	258
0	University Hospital Crosshouse Switchboard Extension	95
0	GP Premises	221
5,257	Total Authorised but not Contracted	2,164

Note 17 Commitments Under Operating Leases

Total future minimum payments under leases are stated below

2017 £000		2018 £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
65	Later than five years	55
114	Total Land	104
35	Not later than one year	6
6	Later than one year, not later than 2 years	0
41	Total Buildings	6
179	Not later than one year	99
179	Total Other	99
179	Hire of equipment (including vehicles)	99
51	Other operating leases	51
230	Total Amounts charged to Operating Costs in year	150

Commitments Under Finance Leases

Total net obligation under finance leases is analysed in Note 12 Payables

33	Rentals due within one year	12	33
33	Rentals due between one and two years (inclusive)	12	33
99	Rentals due between two and five years (inclusive)	12	99
223	Rentals due after five years	12	190
(100)	Less interest element		(84)
288	Total Finance Leases (Buildings)		271

Aggregate Rentals Receivable in the year

209	Total of finance & operating leases	242
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Note 18 Commitments under PFI Contracts on Balance Sheet

The Board has entered into the following on-balance sheet PFI projects.

East Ayrshire Community Hospital (EACH) 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 Elderly and Elderly Mental Ill and Outpatient Clinics (including AGP's). The 25 Year contract commenced in August 2000 and will be completed in August 2025. 4 years prior to the end of the 25 year contract period, negotiations will have been undertaken to determine future options available for the site.

Ayrshire Maternity Unit (AMU) 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 commenced 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.

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

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

2017		East Ayrshire Community Hospital	Ayrshire Maternity Unit	Woodland View	2018
£000		£000	£000	£000	£000
7,882	Rentals due within 1 year	1,957	1,810	4,069	7,836
7,842	Due within 1 to 2 years	1,997	1,868	4,072	7,937
24,059	Due within 2 to 5 years	5,940	5,639	12,231	23,810
109,032	Due after 5 years	1,640	25,723	74,000	101,363
148,815	Gross Minimum Lease Payments	11,534	35,040	94,372	140,946
	less;				
(6,155)	Rentals due within 1 year	(1,183)	(1,366)	(3,314)	(5,863)
(5,863)	Due within 1 to 2 years	(1,013)	(1,338)	(3,256)	(5,607)
(15,803)	Due within 2 to 5 years	(1,544)	(3,824)	(9,373)	(14,741)
(50,899)	Due after 5 years	(182)	(13,015)	(33,172)	(46,369)
(78,720)	Interest Element	(3,922)	(19,543)	(49,115)	(72,580)
	giving				
1,727	Rentals due within 1 year	774	444	755	1,973
1,979	Due within 1 to 2 years	984	530	816	2,330
8,256	Due within 2 to 5 years	4,396	1,815	2,858	9,069
58,133	Due after 5 years	1,458	12,708	40,828	54,994
70,095	Present value of minimum lease payments	7,612	15,497	45,257	68,366
3,397	Rentals due within 1 year	1,655	366	1,612	3,633
3,481	Due within 1 to 2 years	1,697	374	1,652	3,723
10,707	Due within 2 to 5 years	5,218	1,152	5,081	11,451
41,811	Due after 5 years	5,739	5,877	30,489	42,105
59,396	Service elements due in future periods	14,309	7,769	38,834	60,912
129,491	Total Commitments	21,921	23,266	84,091	129,278

6,882	Interest charges	6,907
185	Contingent rents (included in Other charges)	263

Note 19 Pension Costs

(a) The NHS A&A participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

(b) NHS A&A has no liability for other employers obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

(d)

(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NHS A&A is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2015 was 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.

(iv) At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employers' contribution rate.

(v) NHS A&A level of participation in the scheme is 5.5% based on the proportion of employer contributions (£753.9 million) paid in 2017-18.

	2017 £000	2018 £000
Pension cost charge for the year	40,278	41,653
Additional Costs arising from early retirement	540	541
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,750	1,645
Pension costs for the year for staff transferred from local authority	0	0

Note 20 Presentation of The Statement of Consolidated Net Expenditure

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which is more reliable and better reflects the activities of NHS Ayrshire & Arran. The comparative information in respect of 2016-17 has been presented in the new format in the SoCNE. No retrospective restatements were required.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS A&A's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3.

Income is now shown as a single figure. Further details are disclosed in Note 4.

	2017 £000
2016-17 expenditure as published	
Hospital and Community	1,036,951
Family Health	187,547
Administration Costs	2,752
Other Non-Clinical Services	26,884
Gross expenditure for the year	1,254,134
2016-17 expenditure conforming to the new presentation	
Staff Costs	395,844
Other expenditure :	
Independent Primary Care Services	103,376
Drugs and medical supplies	152,265
Other health care expenditure	602,649
Gross expenditure for the year	1,254,134
Movement in gross expenditure for the year	0

	2017 £000
2016-17 income as published	
Hospital and Community Income	402,591
Family Health Income	5,436
Administration Income	14
Other Operating Income	18,446
Gross expenditure for the year	426,487
2016-17 expenditure conforming to the new presentation	
Operating income	426,487
Gross expenditure for the year	426,487
Movement in gross expenditure for the year	0

Note 21 Retrospective Restatements

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

Note 22 Restated Primary Statements

There are no related financial statements requiring disclosure.

Note 23 Financial Instruments - Financial Assets and Liabilities

2017		Note	Loans and Receivables £000	Available for sale £000	2018 £000
£000	Financial Assets - Consolidated				
10,086	Investments	10		9,592	9,592
6,579	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	13,838		13,838
540	Cash and cash equivalents	11	427		427
17,205	Financial Assets per Balance Sheet		14,265	9,592	23,857
Financial Assets - Board					
5,969	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	14,111		14,111
115	Cash and cash equivalents	11	142		142
6,084	Financial Assets per Balance Sheet		14,253	0	14,253

2017		Note	2018 £000
£000	Financial Liabilities - Consolidated		
288	Finance lease liabilities	12	271
70,095	PFI Liabilities	12	68,366
33,730	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	47,224
104,113	Financial Liabilities per Balance Sheet		115,861
Financial Liabilities - Board			
288	Finance lease liabilities	12	271
70,095	PFI Liabilities	12	68,366
33,655	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	47,128
104,038	Financial Liabilities per Balance Sheet		115,765

Note 23 b Financial Risk Factors

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

Credit Risk The possibility that other parties might fail to pay amounts due.

Liquidity Risk The possibility that the NHS Board might not have funds available to meet its commitments to make payments.

Market Risk The possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

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

Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

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

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 £000	Between 1 and 2 years £000	Between 2 and 5 £000	Over 5 years £000
at 31st March 2017				
PFI Liabilities	7,836	7,937	23,810	101,363
Finance lease liabilities	33	33	99	190
Trade and other payables excluding statutory liabilities	0	0	0	0
Total	7,869	7,970	23,909	101,553
at 31st March 2018				
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

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 foreign currency risk or equity security price risk.

Note 23 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 24 Derivative Financial Instruments - Consolidated and Board

There are no derivative financial instruments in 2017-18 or prior years.

Note 25 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 made payments to Endowments of £177,000 and received payments from Endowments of £1,410,000 with a balance of £277,000 due to the Board outstanding at year end.

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 £152,381,000, and made payments to the IJB of £173,576,000. There is an outstanding balance of £544,000 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 £144,667,000, and made payments to the IJB of £167,258,000. There is an outstanding balance of £2,904,000 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 £93,020,000, and made payments to the IJB of £114,366,000. There is an outstanding balance of £1,124,000 at the year end, being the Board's share of the IJB surplus.

Note 26

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.

	2017	2018
	Gross Inflows £000	Gross Outflows £000
Monetary amounts such as bank balances and monies on deposit	613	708

Note 27 a Consolidated Statement of Comprehensive Net Expenditure

2017	2018	2018	2018	2018	2018	2018	2018	2018	2018
Group	Board	Endowment	Intergroup Adjustment	East Health & Social Care Partnership	North Health & Social Care Partnership	South Health & Social Care Partnership	2018 Group		
£000	£000	£000	£000	£000	£000	£000	£000		
396,926	411,737	0	0	0	0	0	411,737		
103,376	105,377	0	0	0	0	0	105,377		
152,265	153,333	0	0	0	0	0	153,333		
601,567	627,922	2,755	0	0	0	0	630,677		
1,254,134	1,298,369	2,755	0	0	0	0	1,301,124		
(426,487)	(440,980)	(1,217)	0	0	0	0	(442,197)		
824	0	0	0	(251)	1,281	(484)	546		
828,471	857,389	1,538	0	(251)	1,281	(484)	859,473		

Note 27 b Consolidated Statement of Financial Position

2017 Group	2018 Board	2018 Endowment	2018 Intergroup Adjustment	2018 East Health & Social Care Partnership	2018 North Health & Social Care Partnership	2018 South Health & Social Care Partnership	2018 Group
£000	£000	£000	£000	£000	£000	£000	£000
395,829	402,643	0	0	0	0	0	402,643
Financial assets:							
10,086	0	9,592	0	0	0	0	9,592
943	0	0	(277)	554	0	1,124	1,878
23,390	25,960	0	0	0	0	0	25,960
430,248	428,603	9,592	0	554	0	1,124	439,873
4,090	4,597	0	0	0	0	0	4,597
Financial assets:							
35,506	41,257	4	(277)	0	0	0	40,984
540	142	285	0	0	0	0	427
25	0	0	0	0	0	0	0
40,161	45,996	289	(277)	0	0	0	46,008
470,409	474,599	9,881	(277)	554	0	1,124	485,881
(12,214)	(32,524)	0	0	0	0	0	(32,524)
Financial liabilities:							
(54,076)	(71,565)	(373)	277	0	0	0	(71,661)
0	0	0	0	0	0	0	0
(66,290)	(104,089)	(373)	277	0	0	0	(104,185)
404,119	370,510	9,508	0	554	0	1,124	381,596
(82,409)	(66,839)	0	0	0	0	0	(66,839)
Financial liabilities:							
(69,653)	(67,580)	0	0	0	0	0	(67,580)
(1,623)	0	0	0	0	(2,904)	0	(2,904)
(153,685)	(134,419)	0	0	0	(2,904)	0	(137,323)
250,434	236,091	9,508	0	554	(2,904)	1,124	244,373
Assets less liabilities							
149,186	130,905	0	0	0	0	0	130,905
90,882	105,186	0	0	0	0	0	105,186
(680)	0	0	0	554	(2,904)	1,124	(1,226)
11,046	0	9,508	0	0	0	0	9,508
250,434	236,091	9,508	0	554	(2,904)	1,124	244,373
Total taxpayers' equity							
SOCTE	SOCTE	SOCTE	SOCTE	SOCTE	SOCTE	SOCTE	SOCTE
General fund	General fund	General fund	General fund	General fund	General fund	General fund	General fund
Revaluation reserve	Revaluation reserve	Revaluation reserve	Revaluation reserve	Revaluation reserve	Revaluation reserve	Revaluation reserve	Revaluation reserve
Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu	Other reserves - associates and joint ventu
Fund held on Trust	Fund held on Trust	Fund held on Trust	Fund held on Trust	Fund held on Trust	Fund held on Trust	Fund held on Trust	Fund held on Trust
Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity	Total taxpayers' equity

Note 27 b. Consolidated Statement of Financial Position - Prior Year

2016 Group	2017 Board	2017 Endowment	2017 Intergroup Adjustment	2017 East Health & Social Care	2017 North Health & Social Care	2017 South Health & Social Care	2017 Group
£000	£000	£000	£000	£000	£000	£000	£000
395,386	Property, plant and equipment 7a	395,829					395,829
	Financial assets:						
10,646	Available for sale financial assets	10,086					10,086
144	Investments in associates and joint ventures		144	159		640	943
23,390	Trade and other receivables	44,578					44,578
429,566	Total non-current assets	440,407	144	159	0	640	451,436
3,921	Inventories	4,090					4,090
	Financial assets:						
11,887	Trade and other receivables	869	(259)				14,318
546	Cash and cash equivalents	425					540
1,340	Assets classified as held for sale	25					25
17,694	Total current assets	1,294	(259)	0	0	0	18,973
447,260	Total assets	458,345	(115)	159	0	640	470,409
(9,913)	Provisions	(12,214)					(12,214)
	Financial liabilities:						
(52,113)	Trade and other payables	(334)	259				(54,076)
0	Liabilities in associate and joint ventures	0			(1,623)		(1,623)
(62,026)	Total current liabilities	(334)	259		(1,623)		(67,913)
385,234	Non-current assets less net current liabilities	392,130	144	159	-1,623	640	402,496
(46,973)	Provisions	(82,409)					(82,409)
	Financial liabilities:						
(72,117)	Trade and other payables	(69,653)					(69,653)
0	Liabilities in associate and joint ventures	0					0
(119,090)	Total non-current liabilities	(152,062)	0	0	0	0	(152,062)
266,144	Assets less liabilities	11,046	144	159	(1,623)	640	250,434
	Taxpayers' Equity						
161,635	General fund	149,186					149,186
93,813	Revaluation reserve	90,882					90,882
144	Other reserves - associates and joint ventu		144	159	(1,623)	640	(680)
10,552	Fund held on Trust	11,046					11,046
266,144	Total taxpayers' equity	240,068	144	159	(1,623)	640	250,434

Note 27 c.

Consolidated Statement of Cash Flows

2017	2017	2017	2018	2018	2018
Board	Endowment	Group	Board	Endowment	Group
£000	£000	£000	£000	£000	£000
Cash flows from operating activities					
(828,965)	494	(828,471)	(857,389)	(1,538)	(858,927)
15,570	(1,223)	14,347	20,523	470	20,993
6,899		6,899	6,926	0	6,926
0	(404)	(404)	0	(392)	(392)
13,986	(1,058)	12,928	12,539	904	13,443
(792,510)	(2,191)	(794,701)	(817,401)	(556)	(817,957)
Cash flows from investing activities					
(13,072)		(13,072)	(8,791)	0	(8,791)
	(364)	(364)	0	(583)	(583)
1,582		1,582	331	0	331
	2,147	2,147	0	607	607
	404	404	0	392	392
(11,490)	2,187	(9,303)	(8,460)	416	(8,044)
Cash flows from financing activities					
812,361		812,361	834,560	0	834,560
(1,464)		(1,464)	(1,746)	0	(1,746)
0	0	0	0	0	0
(6,899)		(6,899)	(6,926)	0	(6,926)
803,998	0	803,998	825,888	0	825,888
Net decrease in cash and cash equivalents in the period					
(2)	(4)	(6)	27	(140)	(113)
117	429	546	115	425	540
115	425	540	142	285	427
Cash and cash equivalents at the end of the period					
Reconciliation of net cash flow to movement in net debt/cash					
(2)	(4)	(6)	27	(140)	(113)
117	429	546	115	425	540
115	425	540	142	285	427

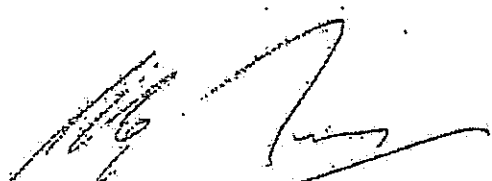
Direction by the Scottish Ministers



Ayrshire and Arran Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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


Signed by the authority of the Scottish Ministers

Dated 10/2/2006