

Ayrshire and Arran Health Board
Annual Report and Accounts for the year ended 31 March 2020

PERFORMANCE REPORT	3
Overview.....	3
Performance Analysis	6
Financial performance and position.....	6
Performance against Key Non-Financial Targets.....	8
Sustainability and Environmental reporting	12
ACCOUNTABILITY REPORT	14
Corporate Governance Report	14
a) The Directors' Report	14
b) The Statement of Accountable Officers' responsibilities.....	17
c) The Governance Statement.....	18
Remuneration and Staff Report.....	24
Staff Report.....	28
Parliamentary Accountability Report	34
Audit Report	35
Statement of Consolidated Comprehensive Net Expenditure (SOCNE).....	39
Consolidated Statement of Financial Position	40
Consolidated Summary of Cash Flows	41
Consolidated Summary of Changes in Taxpayers' Equity	42
Other Notes to the accounts	43
Direction by the Scottish Ministers	83

A. PERFORMANCE REPORT

The performance report has been prepared in accordance with the government Financial Reporting Manual.

1. Overview

Strategy and Principal Activities

The Board 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;
- improve 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.

The functions of the unified Board comprise:

- strategy development;
- resource allocations;
- implementation of the Scottish Health Plan; and
- performance management.

Health and Social Care Integration

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, including in some cases a lead partnership for services such as inpatient mental health. The three Integration Joint Boards 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 to the Integration Scheme. A review of the South Ayrshire Integration Scheme concluded during the year and reported to the Board meeting on 30 March 2020 that it was not necessary to change the Integration Scheme at this stage.

In 2019/2020, and prior years, almost half of the health board revenue allocation is delegated to Integration Joint Boards who commission services from the health board as the Integration Joint Boards have no staff. The three Integration Joint Boards in Ayrshire and Arran have responsibility for the preparation of Strategic Plans and have objectives including minimising delayed discharge from hospital and reducing emergency admissions. New investment in primary care and mental health is prioritised and directed by Integration Joint Boards. There were underspends against these new investment funds in 2019/2020 which are carried forward by all three of the Integration Joint Boards.

Acute Services

A new build 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. These units had a capital cost of over £30 million. Over £5 million of revenue has been invested recurrently over the last five years in unscheduled care capacity to manage increasing demand.

At 1 April 2018, there were over 100 unfunded acute hospital beds open due to increasing unscheduled care demand and delayed discharges. The cost of additional nursing for these beds in 2017/2018 was about £6 million and contributed to the acute services overspend. During 2018/2019, most of these beds closed and from April 2019 30 acute beds are recurrently funded. However, due to the high level of delayed discharge of South Ayrshire patients, an unfunded 24 ward at Ayr hospital was open throughout 2019/2020 at a cost of £1 million.

Performance during 2019/2020 against the 4 hours accident and emergency maximum wait, the 31 and 62 day cancer targets, 12 week Treatment Time Guarantee and 18 week referral to treatment target are shown on page 10 of this report.

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. During 2018, one of these wards moved to Woodland View. During 2019/2020 some £614,000 was invested to refurbish some Elderly Mental Health wards on the Ailsa Hospital site.

Capital Schemes

Capital expenditure totalling £11.5 million has been incurred in the year, which matches the capital allocation for the year in the following areas:

Capital Schemes	£000
Electro Medical Equipment	3,584
Digital Services	1,602
Furniture and Equipment	427
National Forensic Service in Scotland	520
University Hospital Crosshouse Cardiology Refurbishment Ward 1D/Clinic K/Discharge	1,551
University Hospital Crosshouse General Surgery Ward Refurbishment 4B/4C	360
Ayrshire Central Hospital CDU Equipment Upgrade	199
Biggart Hospital Sexual Assault Forensic Centre	301
Ailsa Hospital Elderly Mental Health	614
Caring for Ayrshire	193
Ayrshire Central Boilerhouse	750
University Hospital Ayr Cardiology	500
Three Towns Resource Centre Upgrade	348
Energy Projects	391
Other projects	165
Total	11,505

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level of fraud/error for calendar year 2019 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	2018	2019
Dental fees	£330,971	£325,829
Ophthalmic fees	£121,566	£110,644

Risks

The Governance Statement outlines the high risks within the strategic risk register and gives a fuller description of actions in relation to the two very high risks, which relates to achieving the financial outturn in the Annual Operating Plan and the risk of business interruption due to a cyber incident.

The risk associated with the COVID-19 pandemic was not listed on the strategic risk register during the year but is now being developed. The Board's response has gone through a containment phase to delay phase and is currently in the response phase whilst starting to plan for recovery. Significant resources have been deployed to increase capacity to cope with increased health and social care demand as a result of COVID-19.

Chief Executive Summary

The Board has seen some success as a result of actions taken to move to a more financially sustainable position, as evidenced by £23 million brokerage being required in 2017/2018, reducing to £20 million in 2018/2019 and approved deficit budget of £14.7 million in 2019/2020. It should be noted that deficits up to 31 March 2019 have been written off by Scottish Government.

2019/20 has had a number of challenges including increasing unscheduled care demand, increased delayed discharges in hospital and the declaration on 11 March 2020 of a worldwide pandemic by the World Health Organisation. This resulted in the cancellation of approximately 2,000 new outpatient appointments as well as planned operations at the end of March, which reversed the success in improving planned care performance seen earlier in the year.

The acute directorate overspent its budget by £11.45 million in the year with 75% of this being attributable to unachieved cash releasing efficiency savings and the balance being mainly due to unfunded beds having to be opened due to high numbers of delayed discharges from hospital. In July and November 2019, delayed discharges beyond two weeks exceeded 90. Delayed discharge occupied bed days have been increasing over the past three years and in August 2019 amounted to 5,530 bed days which equates to 178 beds. The numbers of delayed discharges reduced significantly at the end of the year in preparation for the COVID-19 pandemic.

A Caring For Ayrshire programme commenced during the year which is a ten year vision for health and social care provision. Engagement with the public commenced but was put on hold due to the pandemic.

2. Performance Analysis

Financial performance and position

	Resource Limit	Actual Outturn	Variance (Over)/Under
	£000	£000	£000
Core Revenue Resource Limit	842,106	841,651	455
Non-core Revenue Resource Limit	30,657	30,657	0
Total Revenue Resource Limits	872,763	872,308	455
Core Capital Resource Limit	11,505	11,505	0
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	11,505	11,505	0
Cash Requirement	904,986	904,986	0

Memorandum for in year outturn

£000

Core Revenue Resource Variance (Deficit) / Surplus in 2019/20	455
Financial flexibility funding banked with / (provided by) Scottish Government	(14,700)
Underlying (Deficit) / Surplus against Core Revenue Resource Limit	(14,245)
Percentage	1.7%

The accounts have been prepared under an accounts direction and on a going concern basis. A deficit budget of £14.7 million was set for 2019/2020, mainly a legacy of the 2016/17 budget imbalance, requiring £14.7 million of financial brokerage from Scottish Government which is included in the Resource limit in the table above. The small surplus for 2019/2020 reflects achievement of this target. Provision of brokerage is predicated on a realistic plan to return to financial sustainability with the Board's commitment to achieve this through the Transformational Change Improvement Plan.

The 2020/2021 budget is not balanced by £13.5 million and the financial plan shows a £6.6 million deficit in 2021/2022 before breaking even in 2022/2023. The Board is in discussion with Scottish Government about financial brokerage requirements. Scottish Government have agreed that brokerage received in 2017/2018 and 2018/2019 will not be repayable, however the 2019/2020 brokerage is expected to have to be repaid following the Board's return to recurring financial balance.

There will be additional costs arising from the COVID-19 pandemic which Scottish Government have agreed to meet. These accounts are prepared on a going concern basis.

Outstanding Liabilities

Current and non-current liabilities are presented in the Balance Sheet in the financial statements and include liabilities outstanding in relation to Private Finance Initiative contracts.

Public Finance Initiative/Public Private Partnerships

Ayrshire Maternity Unit (AMU)

The AMU is situated within the grounds of University Hospital Crosshouse, Kilmarnock and provides obstetric in-patient, neonatal, daycase 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 2019/2020 was £2.57 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 2019/2020 was £3.7 million.

Woodland View

The 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 2019/2020 was £5 million.

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

Provisions

Note 13 to the accounts shows a provision for around £80 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 is liable for the first £25,000 of each claim as an “excess”. The accounts show in note 13a the estimated future liability for NHS Ayrshire & Arran claims (£35.8 million) and there is a corresponding debtor due from CNORIS in note 9 in the amount of £34.7 million. In addition, note 13a reflect NHS Ayrshire & Arran’s share of the national future CNORIS liability in the amount of £44.3 million.

Performance against Key Non-Financial Targets

In 2018/19, the Scottish Government introduced the Annual Operational Plan (AOP). The Annual Operational Plan includes the key planning assumptions and expected levels of performance against a suite of waiting times measures including Inpatient/Daycases, Outpatients, Cancer, diagnostics, CAMHs and Psychological Therapies. Trajectories for the Annual Operational Plan have been developed at a local level through service planning and in conjunction with Scottish Government. The information in the following infographic is a summary of performance against the AOP based on the most up to date information available.

NHS Ayrshire & Arran – LDP Performance





Latest published LDP Performance, with R.A.G. status, where:
against the Scottish Government target (🎯)

On Target ✔



Slightly Adrift ▲

Off Target ●


Service Access

	80.4% Mar 2020	●	waited fewer than 12 weeks for a New Outpatient appointment	 95%
	69.9% Mar 2020	●	waited fewer than 12 weeks for inpatient or daycase treatment	 100%
	79.7% Feb 2020	●	waited fewer than 18 weeks from Referral to Treatment	 90%

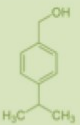

Emergency Departments

	87.0% Mar 2020	●	spent 4 hours or fewer in our Emergency Departments	 95%
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Cancer Services

99.2% Mar 2020	✔	 95%	96.2% Mar 2020	✔	 95%
of patients started cancer treatment within 31 days following decision to treat			of patients with suspicion of cancer started treatment within 62 days		

Drug and Alcohol Treatment

	97.4% Mar 2020	✔	 90%
of clients waited fewer than 3 weeks for drug or alcohol treatment to support recovery			





Psychological Therapies

	71.7% Mar 2020	●	 90%
of patients started appropriate psychological therapy treatment within 18 weeks of initial referral			

Child and Adolescent Mental Health

67.9% Mar 2020	●	 90%
of children and young people started appropriate mental health treatment within 18 weeks of initial referral		

Healthcare Associated Infections

	16.7 Q3 2019/20	●	rate of clostridium difficile (c.diff) infections per 100,000 total occupied bed days	 13.0
	43.7 Q3 2019/20	●	rate of <i>Escheria coli</i> Bacteraemias (ECBs) cases per 100,000 total occupied bed days	 34.4
	15.1 Q3 2019/20	●	rate of <i>Staphylococcus aureus</i> Bacteraemias (SABs) cases per 100,000 total occupied bed days	 12.4

Maximum 12 Weeks wait to Outpatient appointment

The National Target is that 95% of patients will wait no longer than 12 weeks from referral (all sources) to a first outpatient appointment (measured on month end Census). The National Waiting Times Improvement plan stated that by October 2019, 80% of outpatients will wait less than 12 weeks to be seen, increasing to 95% by Spring 2021. In March 2020, compliance was 80.4% across NHS Ayrshire and Arran (compared to 82.7% in March 2019). In March 2020, some 2,000 outpatient appointments were cancelled to create capacity to respond to COVID-19.

Provisional trajectories have been agreed as part of the 2020/21 Annual Operational Plan to support the reduction in patients waiting over 12 weeks for an outpatient appointment and work towards achieving a compliance target of 95% by Spring 2021. This will be re-evaluated and the provisional trajectories will be reworked following the emergency response to COVID-19.

Treatment Time Guarantee (Maximum 12 Weeks wait to Inpatient or Daycase appointment)

The National Target is that no patient should wait longer than 12 weeks from agreeing treatment with the hospital, to treatment as an Inpatient or Day Case (Treatment Time Guarantee). The National Waiting Times Improvement plan stated that by October 2019, 75% of inpatients/day cases will wait less than 12 weeks to be treated, increasing to 100% by spring 2021. Within NHS Ayrshire and Arran, compliance against the National Target was 69.9% in March 2020 (compared to 81.4% in March 2019).

Provisional trajectories have been agreed as part of the 2020/21 Annual Operational Plan to support the reduction in patients waiting over 12 weeks for inpatient/daycase treatment and work towards achieving a compliance target of 100% by Spring 2021. This will be re-evaluated and the provisional trajectories will be reworked following the emergency response to COVID-19.

18 week Referral to Treatment

The national target for 18 weeks Referral to Treatment (RTT) is for 90% of planned or elective patients to commence treatment within 18 weeks of referral.

18 week RTT performance continues to remain below target, with compliance recorded at 79% in January 2020 (compared to 75.7% at March 2019).

A&E/Emergency Department

In March 2020, 87% of patients waited less than four hours to be seen in A&E within NHS Ayrshire and Arran (compared to 86.5% in March 2019). The number of A&E attendances in March 2020 dropped to 7,148 from 10,070 recorded in March 2019.

The ability to manage ED 4 hour wait performance is heavily influenced by the available capacity in acute wards. Increased numbers of patients whose discharge from hospital has been delayed for non-clinical reasons contribute to high occupancy

levels, which negatively impacts on the flow within the acute system. Delayed Discharge over 2 Weeks (excluding complex code 9 delays) reached a highest recorded position of 98 in November 2019, reducing to 39 by March 2020.

Cancer Services

The 95% target for those referred urgently with a suspicion of cancer to begin treatment within 62 days of receipt of referral was met, with compliance levels of 96.2% in March 2020 (compared to 82.4% in March 2019). A further target of 95% of patients starting cancer treatment within 31 days following decision to treat was also met with 99.2% achievement in March 2020 (compared to 99.1% in March 2019).

Drug and Alcohol Treatment

In March 2020, 97.4% of clients waited fewer than 3 weeks for drug or alcohol treatment to support recovery, exceeding the 90% national target, but slightly down on the 98.9% in March 2019.

Psychological Therapies

Within NHS Ayrshire and Arran, compliance against the National Target of 90% seen within 18 weeks by psychological therapies has decreased from 77.1% in March 2019 to 71.7% in March 2020. Compliance has been below the NHS Scotland average in each quarter of the 2019 financial year. Challenges have included high levels of maternity leave and vacant posts, however the introduction of computerised Cognitive Behavioural Therapy has provided a new therapeutic option for adults presenting with mild to moderate anxiety and depression.

Child and Adolescent Mental Health

Compliance against the 18 week target for Child and Adolescent Mental Health Services fell from a position of 80.2% at March 2019 to 67.9% in March 2020 due to a change in the basis of recording. The target is 90% to be seen within 18 weeks.

Healthcare Associated Infections (HAIs)

NHS Ayrshire and Arran has translated the national standard of a 10% reduction in healthcare associated *Clostridium difficile* Infections (CDIs) by year end March 2022 into a rate of no more than 13.0 cases per 100,000 Total Occupied Bed Days (TOBDs). The verified rate for the year ending December 2019 was 16.7. There was an increase in cases identified post discharge from hospital. Investigations by the Infection Prevention Control Team did not identify any common source.

NHS Ayrshire and Arran has translated the national standard of an interim 25% reduction in the healthcare associated *Escherichia coli* Bacteraemias (ECBs) by year end March 2022 into rates of no more than 34.4 cases per 100,000 TOBDs. The verified rate for the year ending December 2019 was 43.7. A Urinary Catheter Improvement Group has recently been established to drive forward the improvements required to reduce urinary catheter related bacteraemias.

NHS Ayrshire and Arran has translated the national standard of a 10% reduction in healthcare associated ***Staphylococcus aureus* Bacteraemias** (SABs) by year end March 2022 into a rate of no more than 12.4 cases per 100,000 TOBDs. The verified rate for the year ending December 2019 was 15.1. The increase in rates is multi-factorial. The Board continues to prioritise actions aimed at reducing vascular access related SABs.

Each SAB is investigated by the Infection Prevention Control Team. The outcome of these investigations are shared with the clinical team to improve local practice and used to inform the evidence based interventions in place to minimise the risk. The Control of Infection Committee (Chaired by the Nurse Director) meets bi-monthly to consider all aspects of prevention and control of infection on behalf of the Board, including achievement of targets around Healthcare Associated infection.

Payment policy

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

- In 2019/2020 average credit taken was 7 days (2018/2019 = 9 days)
- In 2019/2020, the Health Board paid 96% by volume and 95% by value of non-NHS suppliers within 30 days of the invoice being received, (compared to 94% and 96% in 2018/2019).
- Based on the date of invoices being received, 87% by volume and 89% by value were paid within 10 days in 2019/2020 (compared to 86% and 88% in 2018/2019).

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 2019/2020, the Board employer contribution was 20.9% of relevant pay costs and amounted to £60 million.

Social matters

There are policies in place to safeguard the rights of employees. The Board works with the NHS Scotland Counter Fraud Services to minimise fraud and corruption.

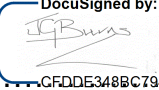
Sustainability and Environmental reporting

The Climate Change (Scotland) Act 2009 sets 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 Scottish Government's approach can be found in the [Climate Change Plan 2018-2032](#) while national reports can be found at the following resource:

<https://sustainablesotlandnetwork.org/reports>

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

Signed  CFDD5348BC794A7.....
Chief Executive

Date

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

The audited Financial statements were approved and authorised for issue by the Health Board on 22 June 2020.

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.

Mrs L Bowie, Chair

Dr M Cheyne, Chairman (until 31 December 2019)

Mr J Burns, Chief Executive

Mrs M Anderson, Non-Executive Director

Professor H Borland, Nurse Director

Mr M Breen, Non-Executive Director (from 15 April 2019)

Councillor L Brennan-Whitefield

Mr A Carragher, Non Executive Director (from 18 August 2019)

Councillor J Cullinane

Dr S Das, Non Executive Director (from 1 February 2020)

Mr S Donnelly, Employee Director (until 30 September 2019)

Mrs J Ford (from 15 April 2019)

Dr A Graham, Medical Director (until 31 March 2020)

Mr E Hope, Employee Director (from 1 October 2019)

Mr D Lindsay, Director of Finance

Mr R Martin, Non-Executive Director

Dr J McKay, Non-Executive Director (until 17 August 2019)

Mr J Rainey, Non-Executive Director

Councillor D Reid, Non-Executive Director

Ms L Semple, Non-Executive Director

Miss L Tennant, 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 2020 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 24. 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 disclose the value of contingency liabilities with the significant one related to CNORIS which is explained in note 13b.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposed duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year.

This information is available on our website at the following link [Public Services Reform \(Scotland\) Act 2010](#).

Personal data related incidents reported to the Information Commissioner

Throughout the year 2019/2020 one personal data related incident was considered to meet the criteria for notification to the Information Commissioner's Office. This incident was duly reported. The incident was closed by the ICO with no regulatory action taken.

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 2019/2020.

Governance Framework of the Board

The Governance Framework comprises the following committees:

- Audit Committee;
- Healthcare Governance Committee;
- Information Governance Committee;
- Performance Governance Committee;
- Staff Governance Committee;
- Integrated Governance Committee

These committees have operated throughout 2019/2020 and the Board has considered their minutes. Due to the timing of emergency measures put in place for COVID-19, the annual reports from these committees have been deferred. The Board is satisfied that the Governance Committees have fulfilled their remit.

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.

The Board 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. The Sturrock report into governance in NHS Highland has been considered by management to identify opportunities for improvement.

In response to the Blueprint for Good Governance, the Corporate Business Manager submitted to the February 2019 Board meeting a high level self-assessment against the blueprint. A more detailed discussion on the improvement plan and progress to date took place at a Board workshop on 18 April 2019 and at the October 2019 Board annual development session.

The Board normally 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 2018 and were not updated in June 2019 due to a national review to produce 'Once for Scotland' documents. The first of these, the standing orders, were approved at the 30 March 2020 Board meeting. The standard template agreed nationally for board paper headings has been used since February 2020.

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 Whistleblowing 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. A new non-executive Director was appointed to the Board in February 2020 with the role of whistleblowing champion as part of their remit.

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 October 2019 Health Board meeting approved an updated health and care governance framework for Integration Joint Boards.

On 27 January 2020, the Board Chair and Chief Executive attended a mid-year review with the Minister for Public Health and Sport and senior officials where there was significant focus on financial outturn for the year.

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 work of the service auditors in relation to the control frameworks operated by the following, which are reported through the Annual Service Audit Reports:
 - Practitioner and Counter Fraud Services (PCFS) in the discharge of their services to support the payments of family health services practitioners on behalf of NHS Scotland Health Boards;
 - Atos and NSS Digital and Security in the discharge of their services to support National IT Services on behalf of NHS Scotland Health Boards; and
 - NHS Ayrshire and Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHS Scotland Boards.

For the year 2019/20, the Service Audit Report in relation to the NSI financial ledger services was unqualified. However, the reports in relation to PCFS and the IT Services were both qualified. The Board has considered the issues identified in the reports and concluded that they do not represent significant governance issues. The Board has received assurances from NSS that each point raised within the reports will be addressed as part of its continuous improvement programme of work. The Audit Committee has also considered a report on the local review process in place with regards to payments of family health services practitioners as further assurance that all payment streams to Independent Contractors providing family health services are subject to regular and consistent review throughout the year, with no significant issues arising in 2019/20.

The Board receives approved minutes from each Governance Committee to confirm that their remit has been fulfilled. Where necessary a committee can escalate issues for Board scrutiny. No issues were escalated in 2019/2020.

In accordance with the principles of best value, the Board aims to foster a culture of continuous improvement. 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. For 2019/2020, the internal audit programme was approved by the Audit Committee on 20 March 2019. Following the national review of governance arrangements, the 2020/2021 internal audit programme was recommended by the Audit Committee and approved at the March 2020 Board meeting. 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, Integrated) for detailed scrutiny.

The internal audit programme gives assurance on a broad range of internal controls and in addition a focused review of key financial controls covers the core financial systems on a two-year cyclical basis and for the last five years, the resulting report has shown a low risk report classification. Despite the internal audit programme being curtailed because of COVID-19 pandemic, the overall internal audit opinion for the period 1 April 2019 to 30 June 2020 is that reasonable assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Financial Management Report is discussed at each Board meeting and monitors financial performance against the revenue plan for 2019/2020 which was a £14.7 million deficit. A request was made to Scottish Government for brokerage of £14.7 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. A Board workshop on 9 September explored the Board risk appetite and reviewed the way strategic risks are presented. The Risk and Resilience Scrutiny and Assurance Group ensure that these matters are kept under review.

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

1. Failure to achieve agreed financial outturn for 2019/2020;
2. Service/ business interruption due to cyber incident.

In recognition of financial challenges, the Board has remained at level 3 of the Scottish Government escalation ladder throughout the year. Achieving financial balance is identified in the strategic risk register as very high risk. Since 2016 a Transformational Change Improvement Plan has existed alongside the annual cash releasing efficiency plan. This plan is monitored internally through the Board's Programme Management Office and by the Performance Governance Committee providing challenge and scrutiny. There has been a reduction in the level of financial overspend during the last two years, however there remained a £14.7 million planned overspend for 2019/2020.

The cyber security threat remains high. During 2018/2019 the Board has received national accreditation for cyber security services and in 2019/2020 invested £2.9 million to address the risk associated with the Windows 7 operating system and requirement to upgrade to Windows 10. In 2018/2019 the Board also committed £130,000 recurring investment in cyber security staff to mitigate the risk.

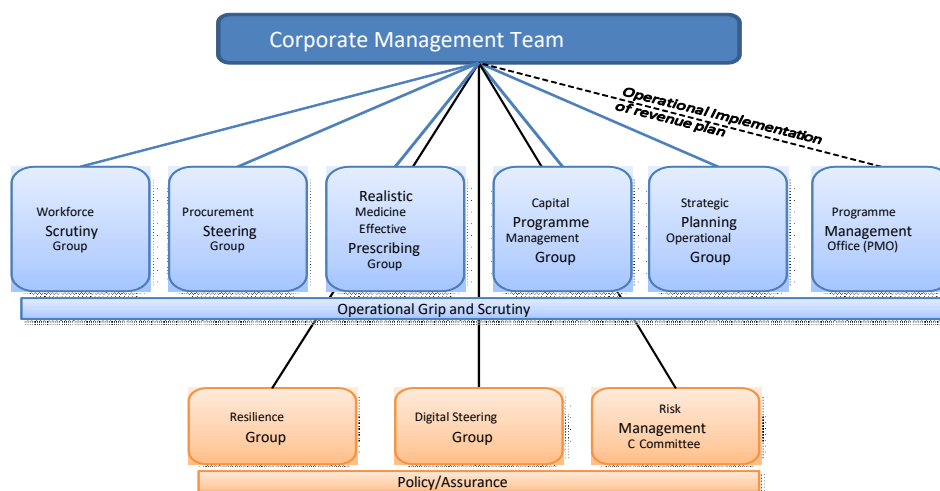
The strategic risk register also contains eleven high risks in the following areas:

- general medicine provision at University Hospital Ayr;
- primary care sustainability;
- transformational change programme (2);
- promoting attendance;
- personal development review;
- statutory management of the estate;
- statutory management of occupational road risk;
- GP workforce;
- achieving the legal treatment time guarantee, and;
- information governance.

All of these are being actively managed by the relevant risk owner and monitored at the quarterly Risk and Resilience Scrutiny and Assurance Group. There were also monthly meetings chaired by the Chief Executive to address Brexit risks. A quarterly report on relevant risks is taken to each governance committee of the Board.

In early 2018/2019, new operational scrutiny arrangements were put in place and have remained in place during 2019/20 as shown in the diagram below.

Operational Scrutiny/Management



In September 2019 a review of Corporate Management Team function concluded on the following five areas for focus:

- 1) Holding to account for performance (activity, finance etc.);
- 2) governance and operational scrutiny as outlined in the diagram above;
- 3) decision making;
- 4) commissioning reform work;
- 5) consideration of national and regional work to inform local service delivery.

Disclosures

On 23 March 2020 the NHS was placed under emergency planning arrangements by Scottish Government. On 30 March the Board agreed to temporarily pause routine governance meetings to allow officers to focus on the response to COVID-19. The Integrated Governance Committee met in April and May to consider plans in place to manage the response to the pandemic. The Board's response has gone through a containment phase to delay phase and is currently in the response phase whilst starting to plan for recovery. Some planned routine issues related to staff governance such as i-matter responses and annual appraisal process have been deferred to free staff time to deal with preparing and implementing mobilisation plans. Significant resources have been deployed to increase capacity to cope with increased health and social care demand as a result of COVID-19. Financial governance and scrutiny arrangements have been put in place with Scottish Government in relation to these additional resources and Integrated Governance committee was briefed.

In 2019/2020, out of 16,489 planned day cases and inpatients seen, a total of 4,067 patients were treated out with the 12-week treatment time guarantee. This means that 12,422 patients (75.3%) received their treatment within 12 weeks.

A report on care of older people in University Hospital Ayr, which was published in December 2019 by Healthcare Improvement Scotland, had seven recommendations for improvement. Action plans and reporting arrangements are in place to ensure improvements identified are fully completed.

Subject to the above, during the 2019/2020 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.

Remuneration and Staff 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 (until 31 December 2019)

Mrs Leslie Bowie, Chair (from 1 January 2020)

Mrs Margaret Anderson

Councillor Joe Cullinane

Mr Stewart Donnelly (until 30 September 2019)

Mr Ewing Hope (from 1 October 2019)

The committee met once during 2019/2020. A further meeting was arranged and the paperwork issued to members; however the meeting had to be deferred on the day due to the lack of a quorum and has not been able to be rescheduled due to the ongoing Covid-19 outbreak.

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, and are implemented in line with the national Pay and Conditions circular.

Consultancy payments are detailed separately on the Board's website.

Payments to Non-Executive Directors and Executive Directors'

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration 2019/2020.

Remuneration (salary, benefits in kind and pensions) 2019/20

Single total figure of remuneration					
Board Members	Directors' Gross Salary (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)
	2019/20	2019/20	2019/20	2019/20	2019/20
Executive					
Mr J Burns, Chief Executive	135 - 140		135 - 140		135 - 140
Mr D Lindsay, Director of Finance	105 - 110	3.8	110 - 115	30	140 - 145
(ii) Dr A Graham, Medical Director (left 31 March 2020)	110 - 115		110 - 115	34	145 - 150
Professor H Borland, Nurse Director	90 - 95		90 - 95	45	135 - 140
Non-executive					
Dr M Cheyne, Chair (left 31 December 2019)	20 - 25		20 - 25		20 - 25
Mrs L Bowie, Non-executive Director (to 29 February 2020), Chair (from 1 March 2020)	15 - 20		15 - 20		15 - 20
Mrs M Anderson	5 - 10		5 - 10		5 - 10
Mr M Breen (from 15 April 2019)	5 - 10		5 - 10		5 - 10
Councillor L Brennan-Whitefield	5 - 10		5 - 10		5 - 10
(iii) Mr A Carragher (from 18 August 2019)	40 - 45		40 - 45	12	55 - 60
Councillor J Cullinane	5 - 10		5 - 10		5 - 10
Dr S Das (from 1 February 2020)	0 - 5		0 - 5		0 - 5
(iv) Mr S Donnelly (left 30 September 2019)	25 - 30	3.0	30 - 35	22	50 - 55
Mrs J Ford (from 15 April 2019)	5 - 10		5 - 10		5 - 10
(v) Mr E Hope (from 1 October 2019)	15 - 20		15 - 20	2	20 - 25
Mr R Martin	10 - 15		10 - 15		10 - 15
(vi) Dr J McKay (left 17 August 2019)	25 - 30	1.7	25 - 30	12	40 - 45
Mr J Rainey	5 - 10		5 - 10		5 - 10
Councillor D Reid	5 - 10		5 - 10		5 - 10
Ms L Semple	10 - 15		10 - 15		10 - 15
Miss L Tennant	5 - 10		5 - 10		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) Dr A Graham has been part time since 1 April 2019, at 0.6 whole time equivalent, and from 1 December 2019 at 0.8 whole time equivalent.

(iii) Mr A Carragher is a stakeholder director for the Area Clinical Forum, and £35,000 - £40,000 of his salary and all pension benefits are in respect of non-Board duties.

(iv) Mr S Donnelly was the employee director, and £25,000 - £30,000 of his salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(v) Mr E Hope is the employee director, and £15,000 - £20,000 of his salary and all pension benefits are in respect of non-Board duties.

(vi) Dr J McKay was a stakeholder director for the Area Clinical Forum, and £20,000 - £25,000 of her salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(vii) There were no bonus payments in 2019/20.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2020 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2020 (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 31/03/2019 (£'000)	(viii) Cash Equivalent Transfer Value (CETV) at 31/03/2020 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55 - 60	165 - 170	0	0	1,343	1,351	8
Mr D Lindsay, Director of Finance	40 - 45	85 - 90	0 - 2.5	0 - 2.5	735	781	46
Dr A Graham, Medical Director	65 - 70	200 - 205	0 - 2.5	5 - 7.5	1,460	1,545	68
Professor. H Borland, Nurse Director	40 - 45	105 - 110	2.5 - 5	2.5 - 5	811	872	61
Mr A Carragher, Non-executive Director	15 - 20	35 - 40	0 - 2.5	0 - 2.5	297	312	15
Mr S Donnelly, Non-executive Director	25 - 30	75 - 80	0 - 2.5	2.5 - 5	560	598	36
Mr E Hope, Non-executive Director	5 - 10	20 - 25	0 - 2.5	0 - 2.5	162	168	4
Dr J McKay, Non-executive Director	25 - 30	80 - 85	0 - 2.5	0 - 2.5	602	632	27

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

SPPA are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. SPPA has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration 2018/2019.

Remuneration (salary, benefits in kind and pensions) 2018 -19

Single total figure of remuneration					
Board Members	Directors' Gross Salary (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)
	2018/19	2018/19	2018/19	2018/19	2018/19
Executive					
Mr J Burns, Chief Executive	135 - 140	0.0	135 - 140	0	135 - 140
Mr D Lindsay, Director of Finance	105 - 110	3.2	105 - 110	22	130 - 135
(ii) Dr A Graham, Medical Director	95 - 100	0.0	95 - 100	1	100 - 105
Professor H Borland, Nurse Director	85 - 90	0.0	85 - 90	33	120 - 125
Non-executive					
Dr M Cheyne, Chairman	30 - 35	0.0	30 - 35	0	30 - 35
Mrs L Bowie	10 - 15	0.0	10 - 15	0	10 - 15
Mrs M Anderson	5 - 10	0.0	5 - 10	0	5 - 10
Councillor L Brennan-Whitefield	5 - 10	0.0	5 - 10	0	5 - 10
Councillor J Cullinane	5 - 10	0.0	5 - 10	0	5 - 10
(iii) Mr S Donnelly	55 - 60	5.1	60 - 65	3	65 - 70
Ms C Gilmore (left 31 October 2018)	5 - 10	0.0	5 - 10	0	5 - 10
Mr R Martin	10 - 15	0.0	10 - 15	0	10 - 15
(iv) Dr J McKay	65 - 70	4.9	70 - 75	9	80 - 85
Mr A McKie (left 31 March 2019)	10 - 15	0.0	10 - 15	0	10 - 15
Mr J Rainey (from 1 September 2018)	0 - 5	0.0	0 - 5	0	0 - 5
Councillor D Reid	5 - 10	0.0	5 - 10	0	5 - 10
Ms L Semple (from 1 September 2018)	0 - 5	0.0	0 - 5	0	0 - 5
Miss L Tennant	5 - 10	0.0	5 - 10	0	5 - 10
Mr I Welsh (left 31 March 2019)	10 - 15	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) Dr A Graham has been part time since 1 April 2018, at 0.6 whole time equivalent.

(iii) Mr S Donnelly is the employee director, and £45,000 - £50,000 of his salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(iv) Dr J McKay is a stakeholder director for the Area Clinical Forum, and £60,000 - £65,000 of her salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(v) There were no bonus payments in 2018/19.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2019 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2019 (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 31/03/2018 (£'000)	(vi) Cash Equivalent Transfer Value (CETV) at 31/03/2019 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55 - 60	170 - 175	0	0	1,333	1,344	11
Mr D Lindsay, Director of Finance	35 - 40	85 - 90	0 - 2.5	0	686	723	21
Dr A Graham, Medical Director	60 - 65	190 - 195	0 - 2.5	0 - 2.5	1,388	1,436	33
Professor. H Borland, Nurse Director	40 - 45	100 - 105	0 - 2.5	0 - 2.5	749	797	35
Mr S Donnelly, Non-executive Director	20 - 25	70 - 75	0 - 2.5	0 - 2.5	527	550	16
Dr J McKay, Non-executive Director	25 - 30	75 - 80	0 - 2.5	0 - 2.5	561	592	22

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

All executive Board members have permanent UK employment contracts. Non-executive Board members are appointed for a fixed term.

Fair Pay Disclosures

2019/2020		2018/2019	
Range of staff remuneration	£17,948-£353,699	Range of staff remuneration	£17,460-£294,363
Highest Earning Director's Total Remuneration (£000's)	£135-£140	Highest Earning Director's Total Remuneration (£000's)	£135-£140
Median Total Remuneration	£31,724	Median Total Remuneration	£30,336
Ratio of median to highest earning director	4.33	Ratio of median to highest earning director	4.53

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 2019/2020 was £135,000-£140,000 (2018/2019 was £135,000-£140,000). In 2019/2020 this was 4.33 times the median remuneration of the workforce, which was £31,724 while in 2018/2019 this was 4.53 times the median remuneration, which was £30,336.

There was an increase of 4.6% year on year in the median remuneration of the workforce. During 2019/2020, there were 98 clinical members of staff whose remuneration was higher than the highest earning director. During 2018/2019, there were 92 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:

	2020 Number	2019 Number
Employees whose remuneration fell within the following ranges:		
Clinicians		
£ 70,001 to £ 80,000	61	49
£ 80,001 to £ 90,000	40	41
£ 90,001 to £100,000	37	45
£100,001 to £110,000	40	38
£110,001 to £120,000	43	40
£120,001 to £130,000	44	32
£130,001 to £140,000	28	36
£140,001 to £150,000	23	21
£150,001 to £160,000	20	18
£160,001 to £170,000	18	13
£170,001 to £180,000	8	12
£180,001 to £190,000	7	7
£190,001 to £200,000	5	6
£200,001 and above	10	5
Other		
£ 70,001 to £ 80,000	10	12
£ 80,001 to £ 90,000	5	4
£ 90,001 to £100,000	2	0
£100,001 to £110,000	1	1
£110,001 to £120,000	2	2
£120,001 to £130,000	0	0
£130,001 to £140,000	1	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

b Staff numbers and Costs

STAFF COSTS

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2020 Total £000	2019 Total £000
Salaries and wages	447	148	351,746			(879)	351,462	340,520
Social security costs	57	4	35,300			(106)	35,255	34,179
NHS scheme employers' costs	64	0	60,003			(146)	59,921	41,754
Other employers' pension costs							0	0
Inward secondees				509			509	37
Agency and other directly engaged staff					10,215		10,215	8,429
	568	152	447,049	509	10,215	(1,131)	457,362	424,919
Compensation for loss of office/early retirement	0	0	1,146	0	0	0	1,146	88
Pensions to former Board members	0	0	0	0	0	0	0	0
Total	568	152	448,195	509	10,215	(1,131)	458,508	425,007

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

136	123
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STAFF NUMBERS

Whole time equivalent (WTE)	4	16	9,426	7	60	(13)	9,500	9,491
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Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:

0	0
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Included in the total staff numbers above were disabled staff of:

83	65
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Included in the total staff numbers above were Special Advisers of:

0	0
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c Staff Composition

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

	2020			2019		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	2	4	2	2	4
Non-Executive Directors and Employee Director	8	6	14	8	6	14
Senior Employees	11	12	23	11	14	25
Other	1,703	9,205	10,908	1,652	9,047	10,699
Total Headcount	1,724	9,225	10,949	1,673	9,069	10,742

d Sickness Absence

	2020	2019
Sickness absence rate	4.8%	5.2%

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 package cost band	2020		2019	
	Total number of exit packages by cost band	Cost of exit packages (£000)	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000	6	39	2	13
£10,001 - £25,000	5	73	2	42
£25,001 - £50,000	3	128	1	33
£50,001 - £100,000	6	442	0	0
£100,001 - £150,000	4	464	0	0
£150,001 - £200,000	0	0	0	0
£200,001 - £250,000	0	0	0	0
>£250,000	0	0	0	0
Total	24	1,146	5	88

There were no compulsory redundancies in 2019/2020 or in 2018/2019.

There was a voluntary redundancy scheme in 2019/2020, but not in 2018/2019.

g 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. 2019/2020 information is below.

Table 1 Relevant Union Officials

Number of Employees who were relevant union officials during the relevant period (inclusive of full-time equivalent)	Full-time equivalent employee number
44	12

Table 2 Percentage of time spent on facility time

Percentage of Time spent on facility time	Number of Employees
0%	0
1 - 50%	39
51-49%	2
100%	3

Table 3 Percentage of pay bill spent on facility time

First Column	Figures
Total cost of Facility time	£380,533
Provide the total pay bill	£456,697,000
Provide the percentage of the total paybill spent on facility time	0.08%

Table 4 Time spent on paid trade union activities as a percentage of total paid facility time hours

	3.17%
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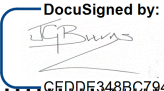
Parliamentary Accountability Report

Losses and Special Payments

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

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 £2.5 million offset the costs for the year of £2.5 million. In addition the Board provided a payroll service to another Board and charged £0.04 million.

Signed 
Chief Executive

Date

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 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – valuation of land and buildings

We draw attention to note 1 (28) in the financial statements, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Board's land and building portfolio. As noted by the Board's external valuers, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the land and building portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

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.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

DocuSigned by:

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

2019 £000		Note	2020 £000
425,870	Employee expenditure	3a	459,503
113,758	Independent Primary Care Services	3b	121,489
154,049	Drugs and medical supplies	3b	148,973
<u>645,011</u>	Other health care expenditure	3b	<u>685,858</u>
1,338,688			1,415,823
(469,741)	Less: operating income	4	(494,023)
(415)	Associates and joint ventures accounted for on an equity basis		(1,115)
868,532	Net expenditure for the year		920,685
Other Comprehensive Net Expenditure			
(6,436)	Net (gain) / loss on revaluation of property, plant and equipment		(23,820)
(291)	Net (gain) / loss on revaluation of available for sale financial assets		1,043
(6,727)	Other Comprehensive Expenditure		(22,777)
861,805	Comprehensive Net Expenditure		897,908

The Notes to the Accounts, numbered 1 to 26 form an integral part of these Accounts.


Consolidated 2019	Board 2019			Consolidated 2020	Board 2020
£000	£000		Note	£000	£000
401,759	401,759	Property, plant and equipment	7a	421,967	421,967
		Financial assets:			
8,456	0	Investments	10	7,817	0
1,621	0	Investments in associates and joint ventures		2,848	0
<u>24,199</u>	<u>24,199</u>	Trade and other receivables	9	<u>24,683</u>	<u>24,683</u>
436,035	425,958	Total non-current assets		457,315	446,650
4,981	4,981	Inventories	8	5,775	5,775
		Financial assets:			
26,934	26,916	Trade and other receivables	9	27,799	28,105
<u>828</u>	<u>134</u>	Cash and cash equivalents	11	<u>234</u>	<u>132</u>
32,743	32,031	Total current assets		33,808	34,012
468,778	457,989	Total assets		491,123	480,662
(16,453)	(16,453)	Provisions due within one year	13a	(19,115)	(19,115)
		Financial liabilities:			
<u>(71,701)</u>	<u>(71,543)</u>	Trade and other payables	12	<u>(78,180)</u>	<u>(78,058)</u>
(88,154)	(87,996)	Total current liabilities		(97,295)	(97,173)
380,624	369,993	Non-current assets less net current liabilities		393,828	383,489
(59,844)	(59,844)	Provisions due outwith one year	13a	(68,704)	(68,704)
		Financial liabilities:			
(65,284)	(65,284)	Trade and other payables	12	(62,437)	(62,437)
<u>(2,432)</u>	<u>0</u>	Liabilities in associates and joint ventures		<u>(2,544)</u>	<u>0</u>
(127,560)	(125,128)	Total non-current liabilities		(133,685)	(131,141)
253,064	244,865	Assets less liabilities		260,143	252,348
		Taxpayers' Equity			
137,874	137,874	General fund	SoCTE	125,569	125,569
106,991	106,991	Revaluation reserve	SoCTE	126,779	126,779
(811)	0	Other reserves - associates and joint ventures	SoCTE	304	0
<u>9,010</u>	<u>0</u>	Fund held on Trust	SoCTE	<u>7,491</u>	<u>0</u>
253,064	244,865	Total taxpayers' equity		260,143	252,348

The Notes to the Accounts, numbered 1 to 26 form an integral part of these Accounts.

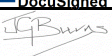
The Accounting Officer authorised these financial statements for issue on 22 June 2020.

Adopted by the Board on _____

Director of Finance

DocuSigned by:

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Chief Executive

DocuSigned by:

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2019 £000		Note	2020 £000	2020 £000
Cash flows from operating activities				
(868,532)	Net operating cost	SoCTE	(920,685)	
15,631	Adjustments for non-cash transactions	2b	14,003	
6,969	Add back: interest payable recognised in net operating cost	2b	7,042	
(377)	Investment income		(347)	
<u>(7,936)</u>	Movements in working capital	2b	<u>15,256</u>	
(854,245)	Net cash outflow from operating activities	27c		(884,731)
Cash flows from investing activities				
(8,795)	Purchase of property, plant and equipment		(11,505)	
(340)	Investment Additions	10	(9,341)	
69	Proceeds of disposal of property, plant and equipment		0	
1,767	Receipts from sale of investments		8,937	
<u>377</u>	Interest received		<u>347</u>	
(6,922)	Net cash outflow from investing activities	26c		(11,562)
Cash flows from financing activities				
870,496	Cash drawn down	SoCTE	904,986	
	Capital element of payments in respect of finance leases and			
(1,959)	On-balance sheet PFI contracts	2b	(2,245)	
	Interest element of finance leases and			
<u>(6,969)</u>	On-balance sheet PFI/PPP contracts	2b	<u>(7,042)</u>	
861,568	Net Financing	26c		895,699
401	Net Increase (decrease) in cash and cash equivalents in the period	11		(594)
<u>427</u>	Cash and cash equivalents at the beginning of the period			<u>828</u>
828	Cash and cash equivalents at the end of the period			234
Reconciliation of net cash flow to movement in net debt/cash:				
401	Increase (decrease) in cash in year			(594)
<u>427</u>	Net cash at 1 April			<u>828</u>
828	Net cash at 31 March			234

The Notes to the Accounts, numbered 1 to 26 form an integral part of these Accounts.

		General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 31 March 2019		137,874	106,991	(811)	9,010	253,064
Balance at 1 April 2019		137,874	106,991	(811)	9,010	253,064
Changes in taxpayers' equity for 2019-20 :						
Net gain on revaluation of property, plant and equipment	7a	-	23,820	-	-	23,820
Net loss on revaluation assets	10	-	-	-	(1,043)	(1,043)
Impairment of property, plant and equipment		-	(356)	-	-	(356)
Revaluation & impairments taken to operating costs	2a	-	357	-	-	357
Transfers between reserves		4,033	(4,033)	-	-	0
Net operating cost for the year	SCCF	(921,324)	-	1,115	(476)	(920,685)
Total recognised income and expense for 2019-20		(917,291)	19,788	1,115	(1,519)	(897,907)
Funding:						
Drawn down	SCCF	904,986	-	-	-	904,986
Balance at 31 March 2020	SoFP	125,569	126,779	304	7,491	260,143

		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 2018		130,905	105,186	(1,226)	9,508	244,373
Balance at 1 April 2018		130,905	105,186	(1,226)	9,508	244,373
Changes in taxpayers' equity for 2018-19 :						
Net gain on revaluation of property, plant and equipment	7a	-	6,436	-	-	6,436
Net gain on revaluation assets	10	-	0	-	291	291
Impairment of property, plant and equipment	7a	-	(1,865)	-	-	(1,865)
Revaluation & impairments taken to operating costs	2b	-	1,865	-	-	1,865
Transfers between reserves		4,631	(4,631)	-	-	0
Net operating cost for the year		(868,158)	-	415	(789)	(868,532)
Total recognised income and expense for 2018-19		(863,527)	1,805	415	(498)	(861,805)
Funding:						
Drawn down		870,496	-	-	-	870,496
Balance at 31 March 2019	SoFP	137,874	106,991	(811)	9,010	253,064

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

In the current year, the Board has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- **IFRIC 23:** Uncertainty over Income Tax Treatment
- **Amendment to IFRS 9:** Prepayment Features with Negative Compensation
- **Amendments to IAS 28:** Long-Term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle

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

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

(c) Standards, amendments and interpretation issued but not adopted this year

At the date of authorisation of these financial statements, the Board has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- **IFRS 16: Leases** – HM Treasury have agreed to defer implementation until 1 April 2021

- **IFRS 17: Insurance Contracts** – applicable for periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.
- Amendments to References to the Conceptual Framework in IFRS Standards – applicable for period beginning on or after 1 January 2020
- **Amendment to IFRS 3** (Definition of a Business) – applicable for periods beginning on or after 1 January 2020
- **Amendments to IAS 1 and IAS 8** (Definition of Material) – applicable for periods beginning on or after 1 January 2020
- **Amendments to IFRS 9, IAS 29 and IFRS 7** (Interest Rate Benchmark Reform) – applicable for periods beginning on or after 1 January 2020
- **Amendment to IAS 1** (Classification of Liabilities as Current or Non-Current) – applicable for periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

The Board does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2021. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland has elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. The Board expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

The Board has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure by £1.7 million. Right-of-use assets totalling £4.0 million will be brought onto the Statement of Financial Position, with an associated lease liability of £4.0 million.

2. Basis of Consolidation

In accordance with IFRS 10 – Consolidated 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.

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.

In accordance with IAS 28 -Investments in Associates and Joint Ventures, the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of Integration Joint Boards using the equity method of accounting.

Note 26 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Retrospective Restatements

There have been no retrospective restatements 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 a minimum of 12 months from the date of these accounts.

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 are held at fair value.

6. Funding

6.1 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. IFRS 15 will be taken into account where appropriate.

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.

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 that are not held for their service potential (ie investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, 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.

None 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.

The impact of Brexit has been considered and there is no material impact.

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.

Temporary Decreases in Asset Value

Temporary decreases in asset value 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 consolidated 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. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 & 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 & 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.

17. Related Party Transactions

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

18. 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 noncurrent assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

19. 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.

20. 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.

21. 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 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, 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.

22. 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.

23. Financial Instruments

Financial assets

Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale. IFRS 9 will be taken into account where appropriate.

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost.

A financial asset may be held at amortised cost where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

(c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

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) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- ii. they contain embedded derivatives; and/or

- iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

(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) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

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 Statement of Financial Position 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) Amortised costs

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

24. 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 note 3.

25. 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.

26. 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.

27. 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 25 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

28. 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 Board has concluded that there are no critical judgements required by management in applying accounting policies that may have a significant effect on the amounts recognised in the financial statements. The estimates 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.

Valuation of Land and Buildings

The value of land and buildings is based on a valuation provided by a professional valuer. A full revaluation of land and buildings is carried out each year.

The Board considers the revaluation of its property, plant and equipment to be a material estimation made by the District Valuer. The carrying amount of the Board's revalued property, plant and equipment is £397.3 million (2018/19: £381.7 million) for the year ended 31 March 2020.

The Board commissioned a valuation for 31 March 2020 which was performed in January to March 2020.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.' The District Valuers report states that:

"The outbreak of the Novel Coronavirus (COVID-19) declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current

response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation report has been used to inform the measurement of assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Ayrshire & Arran as at 31 March 2020 and can be relied upon.

Note 2a Summary of Resource Outturn (SORO)

	Note	2020 £000
Summary Of Core Revenue Resource Outturn		
Net Operating Costs	SoCNE	920,685
Total Non-Core Expenditure (see below)		(30,657)
Family Health Services Non-Discretionary Allocation		(49,304)
Donated Assets Income	2a	288
Endowment Net Operating Costs		(476)
Associates and Joint Ventures accounted for on an equity basis		1,115
Total Core Expenditure		841,651
Core Revenue Resource Limit		<u>842,106</u>
Saving against Core Revenue Resource Limit (RRL)		455
Summary Of Non-Core Revenue Resource Outturn		
Capital Grants to Other Bodies		283
Depreciation / Amortisation		13,816
Annually Managed Expenditure - Impairments		2,000
Annually Managed Expenditure - Creation of Provisions		4,782
Annually Managed Expenditure - Depreciation of Donated Assets	2a	330
Additional SGHSCD non-core funding		7,600
IFRS PFI Expenditure		<u>1,846</u>
Total Non-Core Expenditure		30,657
Non Core Revenue Resource Limit		<u>30,657</u>
Excess against Non Core Revenue Resource Limit (RRL)		0

Summary Resource Outturn

	Resource £000	Expenditure £000	Saving (Excess) £000
Core	842,106	841,651	455
Non-Core	<u>30,657</u>	<u>30,657</u>	<u>0</u>
Total	872,763	872,308	455

Note 2b Notes to the Cash Flow Statement

2019 £000		Note	2020 £000		
Consolidated adjustment for non-cash transactions					
14,782	Depreciation	7a	14,719		
400	Depreciation Donated Assets	7a	330		
1,865	Impairments on PPE charged to SOCNE		356		
(932)	Funding Of Donated Assets	7a	(288)		
(69)	Profit on disposal of property, plant and equipment		0		
(415)	Investment in IJB		(1,115)		
15,631	Total Expenditure Not Paid In Cash	SoCCF	14,002		
Consolidated adjustment for non-cash transactions					
Interest payable					
6,969	PFI Finance lease charges allocated in the year	18	7,042		
0	Other Finance lease charges allocated in the year		0		
6,969	Total Interest Payable		7,042		
Consolidated movements in working capital					
2019 £000		Note	2020 £000	2020 £000	2020 £000
Inventories					
(384)	Raw materials and Consumables	8	4,981	5,775	
(384)	Net Increase (Decrease)		4,981	5,775	(794)
Trade and Other Receivables					
14,050	Due within one year	9	26,934	27,799	
1,761	Due after more than one year	9	24,199	24,683	
		SoCCF	51,133	52,482	
15,811	Net Increase (Decrease)				(1,349)
Trade and Other Payables					
40	Due within one year	12	71,701	78,180	
(2,296)	Due after more than one year	12	65,284	62,437	
0	Less: property, plant & equipment (capital) included in above		0	0	
0	Less: General Fund creditor included in above	12	(117)	(117)	
1,959	Less: lease and PFI creditors included in above	12	(66,678)	(64,433)	
		SoCCF	70,190	76,067	
(297)	Net Increase (Decrease)				5,877
Provisions					
(23,066)	Statement of Financial Position	13a	76,297	87,819	
		SoCCF	76,297	87,819	
(23,066)	Net Increase (Decrease)				11,522
(7,936)	Net movement - increase (decrease)				15,256

Note 3 Operating Expenses

2019 Board £000	2019 Consolidated £000		2020 Board £000	2020 Consolidated £000
		Note 3a Staff Costs		
91,972	91,972	Medical and Dental	95,584	95,584
187,098	187,098	Nursing	203,160	203,160
<u>146,800</u>	<u>146,800</u>	Other Staff	<u>160,759</u>	<u>160,759</u>
425,870	425,870	Total Staff Costs	459,503	459,503
		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		
59,803	59,803	General Medical Services	63,943	63,943
17,160	17,160	Pharmaceutical Services	20,948	20,948
28,560	28,560	General Dental Services	28,397	28,397
<u>8,235</u>	<u>8,235</u>	General Ophthalmic Services	<u>8,201</u>	<u>8,201</u>
113,758	113,758		121,489	121,489
		Drugs and Medical Supplies		
79,188	79,188	Prescribed drugs Primary Care	80,132	80,132
44,221	44,221	Prescribed drugs Secondary Care	39,832	39,832
<u>30,640</u>	<u>30,640</u>	Medical Supplies	<u>29,009</u>	<u>29,009</u>
154,049	154,049		148,973	148,973
		Other health care expenditure		
480,250	480,250	Contribution to Integration Joint Boards	508,472	508,472
64,102	64,102	Goods and services from other NHS Scotland bodies	69,096	69,096
372	372	Goods and services from other UK NHS bodies	773	773
3,518	3,518	Goods and services from private providers	4,926	4,926
5,664	5,664	Goods and services from voluntary organisations	5,106	5,106
43	43	Resource Transfer	0	0
90,079	90,079	Other operating expenses (analysed in note 3c below)	96,579	96,559
160	160	External Auditor's remuneration - statutory audit fee	165	165
34	34	External Auditor's remuneration - IJB	37	37
<u>789</u>	<u>789</u>	Endowment Fund expenditure	<u>0</u>	<u>724</u>
645,011	645,011		685,154	685,858
912,818	912,818	Other Operating Expenditure	955,616	956,320

Note 3c Analysis of Other Operating Expenses in note 3b

2019 Board £000	2019 Consolidated £000		2020 Board £000	2020 Consolidated £000
		Other Operating Expenses reported above includes :		
		Note		
14,782	14,782	Depreciation on owned assets	14,721	14,721
1,865	1,865	Impairment of building assets	2,000	2,000
10,108	10,108	Utility and rates	9,739	9,739
10,637	10,637	PFI	10,818	10,818
2,780	2,780	CNORIS participation	2,416	2,416
(646)	(646)	Increase (decrease) in provision for compensation payments	5,339	5,339
10,235	10,235	Equipment and IT additions and maintenance	8,034	8,034
<u>40,318</u>	<u>40,318</u>	Other	<u>43,513</u>	<u>43,493</u>
90,079	90,079	Other operating expenses per note 3b above	96,579	96,559
		SoCNE		

Note 4 Operating Income

2019 Board £000	2019 Consolidated £000	Note	2020 Board £000	2020 Consolidated £000
26,057	26,057	Income from other NHS Scotland bodies	25,891	25,891
609	609	Income from NHS non-Scottish bodies	806	806
241	241	Income from private patients	141	141
415,616	415,616	Income for services commissioned by Integration Joint Board	441,443	441,443
5,736	5,736	Patient charges for primary care	4,924	4,924
932	932	Donations	288	288
69	69	Profit on disposal of assets	43	43
Non NHS:				
27	27	Overseas patients (non-reciprocal)	31	31
0	1,412	Endowment Fund Income	0	1,039
<u>19,042</u>	<u>19,042</u>	Other	<u>20,228</u>	<u>19,417</u>
468,329	469,741	Total Income	493,795	494,023

Note 5 Segmental Information

	Acute £000	East HSCP £000	North HSCP £000	South HSCP £000	Corporate £000	Group £000
Net operating cost	369,784	177,379	155,932	91,632	125,958	920,685
Net operating cost - prior year	351,537	172,224	142,625	85,964	116,182	868,532

Note 6 Intangible Assets (Non-Current) Consolidated Board

	2019 £000	2020 £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 2020 £000
Cost or valuation									
At 1 April 2019	16,235	365,800	548	207	61,170	8,390	8,106	1,752	462,208
Additions Purchased	-	1,353	-	-	3,837	1,602	427	4,286	11,505
Additions Donated	-	-	-	-	288	-	-	-	288
Completions	-	1,944	-	-	-	-	-	(1,944)	-
Revaluation	123	12,169	10	-	-	-	-	-	12,302
Impairment Charge	-	-	-	-	(98)	-	-	(308)	(406)
Disposals Purchased	-	-	-	-	(780)	-	-	-	(780)
Disposals Donated	-	-	-	-	-	-	-	-	-
At 31 March 2020	16,358	381,266	558	207	64,417	9,992	8,533	3,786	485,117
Depreciation									
At 1 April 2019	-	834	-	207	47,192	5,127	7,089	-	60,449
Provided during the year Purchased	-	11,481	20	-	2,094	996	128	-	14,719
Provided during the year Donated	-	78	-	-	252	-	-	-	330
Revaluation	-	(11,498)	(20)	-	-	-	-	-	(11,518)
Impairment Charge	-	-	-	-	(50)	-	-	-	(50)
Disposals Purchased	-	-	-	-	(780)	-	-	-	(780)
Disposals Donated	-	-	-	-	-	-	-	-	-
At 31 March 2020	-	895	-	207	48,708	6,123	7,217	-	63,150
Net book value at 1 April 2019 (SoFP)	16,235	364,966	548	-	13,978	3,263	1,017	1,752	401,759
Net book value at 31 March 2020	16,358	380,371	558	-	15,709	3,869	1,316	3,786	421,967
Open Market Value of Land in Land and Dwellings included above	7,136	-	522	-	-	-	-	-	7,658
Asset financing:									
Owned - purchased	16,358	290,369	558	-	13,936	3,869	1,316	3,786	330,192
Owned - donated	-	3,076	-	-	1,773	-	-	-	4,849
Held on finance lease	-	1,368	-	-	-	-	-	-	1,368
On-balance sheet PFI contracts	-	85,558	-	-	0	-	-	-	85,558
Net book value at 31 March 2020	16,358	380,371	558	-	15,709	3,869	1,316	3,786	421,967

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 2019 £000
Cost or valuation									
At 1 April 2018	16,324	369,571	556	207	57,978	7,135	7,750	1,473	460,994
Additions Purchased	-	1,031	-	-	3,854	1,255	356	2,299	8,795
Additions Donated	-	-	-	-	932	-	-	-	932
Completions	-	1,925	-	-	-	-	-	(1,925)	-
Revaluation	61	(5,061)	(8)	-	-	-	-	-	(5,008)
Impairment Charge	(150)	(1,666)	-	-	-	-	-	(95)	(1,911)
Disposals Purchased	-	-	-	-	(1,568)	-	-	-	(1,568)
Disposals Donated	-	-	-	-	(26)	-	-	-	(26)
At 31 March 2019	16,235	365,800	548	207	61,170	8,390	8,106	1,752	462,208
Depreciation									
At 1 April 2018	-	774	-	207	46,104	4,270	6,996	-	58,351
Provided during the year Purchased	-	11,455	16	-	2,361	857	93	-	14,782
Provided during the year Donated	-	79	-	-	321	-	-	-	400
Revaluation	-	(11,428)	(16)	-	-	-	-	-	(11,444)
Impairment Charge	-	(46)	-	-	-	-	-	-	(46)
Disposals Purchased	-	-	-	-	(1,568)	-	-	-	(1,568)
Disposals Donated	-	-	-	-	(26)	-	-	-	(26)
At 31 March 2019	-	834	-	207	47,192	5,127	7,089	-	60,449
Net book value at 1 April 2017 (SoFP)	16,324	368,797	556	-	11,874	2,865	754	1,473	402,643
Net book value at 31 March 2018	16,235	364,966	548	-	13,978	3,263	1,017	1,752	401,759
Open Market Value of Land in Land and Dwellings included above	7,013	-	522	-	-	-	-	-	7,535
Asset financing:									
Owned - purchased	16,235	278,486	548	-	12,241	3,263	1,017	1,752	313,542
Owned - donated	-	3,076	-	-	1,737	-	-	-	4,813
Held on finance lease	-	1,429	-	-	-	-	-	-	1,429
On-balance sheet PFI contracts	-	81,975	-	-	-	-	-	-	81,975
Net book value at 31 March 2018	16,235	364,966	548	-	13,978	3,263	1,017	1,752	401,759

Note 7 b. Assets held for Sale

The NHS Board currently has no Assets Held for Sale.

Assets held for Sale - Consolidated and Board		2019	2020
		£000	£000
At 1 April		0	0
Disposals of non-current assets held for sale		0	0
At 31 March	SoFP	0	0

Note 7c. Property, Plant and Equipment Disclosures

Consolidated 2019	Board 2019			Consolidated 2020	Board 2020
£000	£000		Note	£000	£000
396,946	396,946	Purchased	7a	417,112	417,112
<u>4,813</u>	<u>4,813</u>	Donated	7a	<u>4,855</u>	<u>4,855</u>
401,759	401,759	Net book value of property, plant and equipment at 31 March		421,967	421,967
7,535	7,535	Net book value related to land valued at open market value at 31 March		7,658	7,658
24,972	24,972	Net book value related to buildings valued at open market value at 31 March		25,392	25,392
		Total value of assets held under:			
1,429	1,429	Finance Leases		1,368	1,368
<u>81,975</u>	<u>81,975</u>	PFI and PPP Contracts		<u>85,558</u>	<u>85,552</u>
83,404	83,404			86,926	86,920
		Total depreciation charged in respect of assets held under:			
61	61	Finance leases		61	61
<u>2,926</u>	<u>2,926</u>	PFI and PPP contracts		<u>3,068</u>	<u>3,068</u>
2,987	2,987			3,129	3,129

All land and 100% of buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2020 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 £23.820m (2018-19: an increase of £6.436m) which was credited to the revaluation reserve. Impairment of £0.356m (2018-19: £1.866m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

On a historic cost basis, the carrying value of land and buildings would be £270,508,000 (2018-19 £274,758,000).

Note 7d Analysis of Capital Expenditure

2019			2020
£000			£000
8,795	Acquisition of Property, plant and equipment	7a	11,505
<u>932</u>	Donated Asset Additions	7a	<u>288</u>
9,727	Gross Capital Expenditure		11,793
0	Net book value of disposal of property, plant and equipment		0
0	Value of disposal of Non-Current Assets held for sale	7b	0
<u>932</u>	Donated Asset Income		<u>288</u>
932	Capital Income		288
8,795	Net Capital Expenditure		11,505
Summary of Capital Resource Outturn			
8,795	Core capital expenditure included above		11,505
<u>8,795</u>	Core Capital Resource Limit		<u>11,505</u>
0	Excess against Core Capital Resource Limit (CRL)		0
0	Non Core capital expenditure included above		0
<u>0</u>	Non Core Capital Resource Limit		<u>0</u>
0	Saving against Non Core Capital Resource Limit (CRL)		0
8,795	Total Capital Expenditure		11,505
<u>8,795</u>	Total Capital Resource Limit		<u>11,505</u>
0	Saving against Total Capital Resource Limit		0

Note 8 Inventories

Consolidated	Board		Consolidated	Board
2019	2019		2020	2020
£000	£000		£000	£000
<u>4,981</u>	<u>4,981</u>	Raw Materials and Consumables	<u>5,775</u>	<u>5,775</u>
4,981	4,981		5,775	5,775

Note 9 Trade and Other Receivables

Consolidated 2019 £000	Board 2019 £000		Consolidated 2020 £000	Board 2020 £000
		Note		
856	856	Boards	1,010	1,010
856	856	NHS Scotland receivables due within 1 year	1,010	1,010
289	289	NHS Non-Scottish Bodies	187	187
4,922	4,922	VAT recoverable	955	955
1,876	1,876	Prepayments	1,171	1,171
3,538	3,538	Accrued income	2,912	2,912
11,639	11,621	Other Receivables	11,495	11,801
<u>3,814</u>	<u>3,814</u>	Reimbursement of provisions	<u>10,069</u>	<u>10,069</u>
26,078	26,060	Other receivables due within one year	26,789	27,095
26,934	26,916	Total receivables due within one year	27,799	28,105
24,199	24,199	Reimbursement of Provisions	24,683	24,683
24,199	24,199	Total Receivables due after more than one year	24,683	24,683
51,133	51,115	Total Receivables	52,482	52,788
58	58	Provision for impairment included above	58	58
		WGA Classification		
856	856	NHS Scotland	1,010	1,010
264	264	Central Government Bodies	266	266
694	694	Whole of Government Bodies	675	675
289	289	Balances with NHS Bodies in England and Wales	187	187
<u>49,030</u>	<u>49,012</u>	Balances with bodies external to Government	<u>50,344</u>	<u>50,650</u>
51,133	51,115	Total Current Receivables	52,482	52,788
		Movement on the provision for impairment of receivables:		
58	58	At 1 April	58	58
0	0	Provision for impairment	0	0
58	58	As at 31st March	58	58

As of 31 March 2020, receivables with a carrying value of £58,000 (2019: £58,000) were impaired and provided for. The ageing of these receivables is as follows:

0	0	3 to 6 months past due	0	0
<u>58</u>	<u>58</u>	Over 6 months past due	<u>58</u>	<u>58</u>
58	58	As at 31st March	58	58

The receivables assessed as individually impaired were mainly English NHS Trusts, overseas patients 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 2020, receivables with a carrying value of £819,000 (2019: £784,000) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

192	192	Up to 3 months past due	173	173
462	462	3 to 6 months past due	225	225
<u>129</u>	<u>129</u>	Over 6 months past due	<u>421</u>	<u>421</u>
784	784	As at 31st March	819	819

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards and Local Authorities 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:

784	784	Existing customers with no defaults in the past	819	819
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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:

51,133	51,115	Pounds	52,482	52,788
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All non-current receivables are due within 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. This is identical to the comparator position for 2019

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

The fair value of long term other receivables is nil (2018-19 nil).

The effective interest rate on non-current other receivables is 0% (2019: 0%).

Pension liabilities are discounted at -0.50% (2019: +0.29%).

Note 10 Available for Sale Financial Assets

Consolidated	Board		Consolidated	Board
2019	2019		2020	2020
£000	£000	Note	£000	£000
8,456		Other	7,817	
8,456	-	Total Assets Available for Sale	7,817	-
9,592		At 1 April	8,456	
340		Additions	9,341	
(1,767)		Disposals	(8,937)	
291		Revaluation surplus / (deficit) transferred to equity	(1,043)	
8,456	-	At 31 March	7,817	-
8,456		Non-current	7,817	
8,456	-	At 31 March	7,817	-

Note 11. Cash and Cash Equivalents

2019		2020
£000		£000
427	Balance at 1 April	828
401	Net change in cash and cash equivalent balances	(594)
828	Balance at 31 March	234
828	Total Cash - Cash Flow Statement	234
	The following balances at 31 March were held at:	
110	Government Banking Service	44
24	Commercial banks and cash in hand	88
694	Endowment cash	102
828	Balance at 31 March	234

Note 12 Trade and Other Payables

Consolidated 2019 £000	Board 2019 £000		Note	Consolidated 2020 £000	Board 2020 £000
6,358	6,358	NHS Scotland payables due within 1 year	SFR 30.0	5,075	5,075
1	1	NHS Non-Scottish bodies	SFR 30.2	0	0
117	117	Amounts Payable to General Fund		117	117
19,586	19,586	FHS Practitioners		23,967	23,967
302	302	Trade Payables		2,449	2,449
26,492	26,492	Accruals		25,278	25,278
294	294	Deferred income		398	398
20	20	Net obligations under Finance Leases	17	21	21
2,230	2,230	Net obligations under PPP / PFI Contracts	18	2,728	2,728
8,171	8,171	Income tax and social security	SFR 30.1	8,637	8,637
5,327	5,327	Superannuation		7,118	7,118
223	223	Holiday Pay Accrual		654	654
428	428	EC Carbon Emissions		0	0
2,152	1,994	Other payables		1,738	1,616
65,343	65,185	Other payables due within one year		73,105	72,983
71,701	71,543	Total payables due within one year	SoFP	78,180	78,058
21	21	Net obligations under Finance Leases due within 2 years	17	23	23
72	72	Net obligations under Finance Leases due after 2 years but within 5 years	17	76	76
139	139	Net obligations under Finance Leases due after 5 years	17	112	112
2,741	2,741	Net obligations under PPP / PFI Contracts due within 2 years	18	3,061	3,061
8,608	8,608	Net obligations under PPP / PFI Contracts due after 2 years but within 5 years	18	8,736	8,736
52,847	52,847	Net obligations under PPP / PFI Contracts due after 5 years	18	49,676	49,676
856	856	Deferred income		748	748
65,284	65,284	Total payables due after more than one year	SoFP	62,432	62,432
136,985	136,827	Total payables		140,612	140,490
WGA Classification					
6,358	6,358	NHS Scotland		5,075	5,075
13,498	13,498	Central Government bodies		15,755	15,755
0	0	Whole of Government bodies		0	0
1	1	Balances with NHS bodies in England and Wales		0	0
117,128	116,970	Balances with bodies external to Government		119,787	119,665
136,985	136,827	Total current liabilities		140,617	140,495
The carrying amount of receivables are denominated in the following currencies:					
136,827	136,827	Pounds		140,617	140,495

Whole of Government Accounts Classification

The 2019 Central Government Bodies memo is restated at £13.498m. An amount of £5.327m due to the Scottish Public Pensions Agency was previously categorised as Balances with Bodies External to Government. The restatement is therefore £8.171m + £5.327m = £13.498m. Similarly Balances with Bodies external to Government is restated as £122.297m - £5.327m = £116.970m

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 2020 £000
At 1 April 2019	6,931	30,334	38,987	45	76,297
Arising during the year	925	10,878	5,639	148	17,590
Utilised during the year	(578)	(1,700)	(300)	(159)	(2,737)
Unwinding of discount	475	0	0	0	475
Reversed unutilised	(125)	(3,667)	0	(14)	(3,806)
At 31 March 2020	7,628	35,845	44,326	20	87,819
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	584	10,975	7,536	20	19,115
Payable between 1 - 5 years	2,336	17,430	26,596	0	46,362
Payable between 6 - 10 years	2,920	600	2,216	0	5,736
Thereafter	1,788	6,840	7,978	0	16,606
At 31 March 2020	7,628	35,845	44,326	20	87,819

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 2019 £000
At 1 April 2018	7,216	52,281	39,631	235	99,363
Arising during year	223	4,986	6,407	283	11,899
Utilised during year	(543)	(6,520)	(1,833)	(280)	(9,176)
Unwinding during year	113	-	(85)	-	28
Reversed unutilised	(78)	(20,413)	(5,133)	(193)	(25,817)
At 31 March 2019	6,931	30,334	38,987	45	76,297
Payable in one year	544	9,750	6,114	45	16,453
Payable between 1 - 5 years	2,176	13,030	21,078	-	36,284
Payable between 6 - 10 years	2,720	600	1,756	-	5,076
Thereafter	1,491	6,954	10,039	-	18,484
At 31 March 2019	6,931	30,334	38,987	45	76,297

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 -0.5% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 37 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).

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

		2019 £000	2020 £000
Provision recognising individual claims against the NHS Board as at 31 March	13a	30,334	35,845
Associated CNORIS receivable at 31 March	9	(28,013)	(34,752)
Provision recognising the NHS Board's liability from participating in the scheme	13a	38,987	44,326
Net Total Provision relating to CNORIS at 31 March		41,308	45,419

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;

2019		2020
£000		£000
18,028	Clinical and medical compensation payments	17,563
95	Employer's liability	177
10	Third party liability	30
50	Other - Girvan Groundwater Monitoring	50
18,183	Total Contingent Liabilities	17,820
13,879	Clinical and medical compensation payments	16,582
13,879	Total Contingent Assets	16,582

Note 15 Events After the End of the Reporting Year

On 11 March 2020 the World Health Organisation declared a worldwide pandemic for COVID-19. The Board's response has gone through a containment phase to delay phase and is currently in the response phase whilst starting to plan for recovery. Significant resources have been deployed to increase capacity to cope with increased health and social care demand as a result of COVID-19. An estimate of its financial effect cannot be made at the time of reporting.

Note 16 Capital Commitments

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

2019 £000		2020 £000
1,000	Ayrshire Central Hospital National Forensic Service in Scotland	4,400
410	University Hospital Crosshouse General Surgery	-
750	Ayrshire Central Hospital CDU Boiler House	-
230	University Hospital Crosshouse BMS Vision Phase 2	-
-	Boardwide PACS/RICS	463
-	University Hospital Crosshouse Cardiology	850
-	Ayrshire Central Hospital CDU Steriliser Replacement Programme	200
-	Ailsa Elderly Mental Health Inpatients	150
2,390	Total Capital Commitments	6,063
1,950	University Hospital Crosshouse Cardiology	-
200	University Hospital Crosshouse Discharge Lounge	-
310	Biggart Sexual Assault Forensic Centre	-
1,500	Board wide Whole System Estate Plan	2,500
-	University Hospital Ayr Ophthalmology Outpatients	412
-	West of Scotland Regional Vascular Programme	1,138
3,960	Total Authorised but not Contracted	4,050

Note 17 Commitments Under Operating Leases

Total future minimum payments under leases are stated below

2019 £000		2020 £000
10	Not later than one year	10
10	Later than one year, not later than 2 years	10
29	Later than two years, not later than five years	29
<u>46</u>	Later than five years	<u>36</u>
95	Total Land	85
<u>6</u>	Not later than one year	-
6	Total Buildings	-
<u>102</u>	Not later than one year	<u>245</u>
102	Total Other	245
102	Hire of equipment (including vehicles)	245
<u>51</u>	<u>Other operating leases</u>	<u>51</u>
153	Total Amounts charged to Operating Costs in year	296

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
157	Rentals due after five years	12	124
<u>(70)</u>	<u>Less interest element</u>		<u>(57)</u>
252	Total Finance Leases (Buildings)		232

Aggregate Rentals Receivable in the year

207	Total of finance & operating leases	239
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Note 18 Commitments under PFI Contracts on Balance Sheet

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 AHPs). 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 require to be undertaken to determine future options 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 financed through a Non-Profit Distributing (NPD) model 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 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 back 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:

2019		East Ayrshire Community Hospital		Ayrshire Maternity Unit	Woodland View	2020
£000		£000		£000	£000	£000
7,906	Rentals due within 1 year	2,152		1,873	4,075	8,100
8,087	Due within 1 to 2 years	2,176		1,778	4,078	8,032
22,381	Due within 2 to 5 years	3,349		5,431	12,252	21,032
95,011	Due after 5 years	173		22,352	65,858	88,383
133,385	Gross Minimum Lease Payments	7,850		31,434	86,263	125,547
	less					
(5,676)	Rentals due within 1 year	(869)		(1,308)	(3,195)	(5,372)
(5,346)	Due within 1 to 2 years	(567)		(1,276)	(3,128)	(4,971)
(13,773)	Due within 2 to 5 years	(496)		(3,404)	(8,396)	(12,296)
(42,164)	Due after 5 years	-		(10,851)	(27,856)	(38,707)
(66,959)	Interest Element	(1,932)		(16,839)	(42,575)	(61,346)
	giving	Note				
2,230	Rentals due within 1 year	12	1,283	565	880	2,728
2,741	Due within 1 to 2 years	12	1,609	502	950	3,061
8,608	Due within 2 to 5 years	12	2,853	2,027	3,856	8,736
52,847	Due after 5 years	12	173	11,501	38,002	49,676
66,426	Present value of minimum lease payments		5,918	14,595	43,688	64,201
3,759	Rentals due within 1 year		1,694	390	1,786	3,870
3,854	Due within 1 to 2 years		1,737	400	1,831	3,968
11,850	Due within 2 to 5 years		5,342	1,230	5,630	12,202
37,567	Due after 5 years		534	4,632	30,024	35,190
57,030	Service elements due in future periods		9,307	6,652	39,271	55,230
123,456	Total Commitments		15,225	21,247	82,959	119,431

Note

6,969	Interest charges	2	7,042
203	Contingent rents (included in Other charges)		193

Note 19 Pension Costs

- (a) NHS Ayrshire and Arran 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 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions.
- (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 2019 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.
 - (iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme.
 - (v) NHS Ayrshire and Arran's level of participation in the scheme is 5.25% based on the proportion of employer contributions paid in 2018-19. Contributions for the next annual reporting period are anticipated to remain at a similar level.

	2019 £000	2020 £000
Pension cost charge for the year	42,122	60,067
Additional Costs arising from early retirement	543	578
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,550	1,386
Pension costs for the year for staff transferred from local authority	0	0

Note 20 Retrospective Restatements

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

Note 21 Restated Primary Statements

There are no related financial statements requiring disclosure.

Note 22 Financial Instruments - Financial Assets and Liabilities

2019		Note	Loans and Receivables £000	Available for sale £000	2020
£000	Financial Assets - Consolidated				£000
8,456	Investments	10	7,817		7,817
15,466	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	14,594		14,594
828	Cash and cash equivalents	11	234		234
24,750	Financial Assets per Balance Sheet		22,645	0	22,645
	Financial Assets - Board				
15,448	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	15,466		15,466
134	Cash and cash equivalents	11	132		132
15,582	Financial Assets per Balance Sheet		15,598	0	15,598

2019		Note			2020
£000	Financial Liabilities - Consolidated				£000
252	Finance lease liabilities	12	232		232
66,426	PFI Liabilities	12	64,201		64,201
49,301	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	54,208		54,208
115,979	Financial Liabilities per Balance Sheet		118,641		118,641
	Financial Liabilities - Board				
252	Finance lease liabilities	12	232		232
66,426	PFI Liabilities	12	64,201		64,201
49,143	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	54,208		54,208
115,821	Financial Liabilities per Balance Sheet		118,641		118,641

Note 22 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 an minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

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

Liquidity Risk

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

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

Liquidity	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 £000	Over 5 years £000
at 31st March 2020				
PFI Liabilities	2,728	3,061	8,736	49,676
Finance lease liabilities	21	23	76	112
Total	2,749	3,084	8,812	49,788
at 31st March 2019				
PFI Liabilities	2,230	2,741	8,608	52,847
Finance lease liabilities	20	21	72	139
Total	2,250	2,762	8,680	52,986

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 22 b 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 23 Derivative Financial Instruments - Consolidated and Board

There are no derivative financial instruments in 2019-20 or prior years.

Note 24 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 £20,000 (2018/19 £98,000) and received payments from Endowments of £811,000 (2018/19 £1,510,000) with a balance of £320,000 (2018/19 £14,000) 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 £181,391,000 (2018/19 £175,154,000), and made payments to the IJB of £168,529,000 (2018/19 £158,160,000). There is an outstanding balance of £2,642,000 at the year end (2018/19 £1,621,000), 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 £164,856,000 (2018/19 £149,958,000), and made payments to the IJB of £186,462,000 (2018/19 £173,628,000). There is an outstanding balance of £2,544,000 (2018/19 £2,432,000) 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 £95,196,000 (2018/19 £90,504,000), and made payments to the IJB of £153,480,000 (2018/19 £148,462,000). There is an outstanding balance of £206,000 at the year end (2018/19 nil), being the Board's share of the IJB surplus.

Hub South West Scotland is a related party of NHS Ayrshire and Arran. During the year the Board made payments of £575,000 (2018/19 £104,902) to Hub South West Scotland, with a further £41,000 (2018/19 £275,798) outstanding at year end.

Note 25

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.

	2019	Gross	Gross	2020
	£000	Inflows	Outflows	£000
		£000	£000	
Monetary amounts such as bank balances and monies on deposit	599	337	(313)	622

Note 26 a Consolidated Statement of Comprehensive Net Expenditure

2019 Group		2020 Board	2020 Endowment	2020 Intergroup Adjustment	2020 East Health & Social Care Partnership	2020 North Health & Social Care Partnership	2020 South Health & Social Care Partnership	2020 Group
£000	Note	£000	£000	£000	£000	£000	£000	£000
425,870	Staff costs	3a	459,503	-	-	-	-	459,503
113,758	Independent Primary Care Services	3b	121,489	-	-	-	-	121,489
154,049	Drugs and medical supplies		148,973	-	-	-	-	148,973
645,011	Other health care expenditure		685,154	1,535	(831)	-	-	685,858
1,338,688	Gross expenditure for the year		1,415,119	1,535	(831)	-	-	1,415,823
(469,741)	Less: operating income	4	(493,795)	(1,059)	831	-	-	(494,023)
(415)	Associates and joint ventures accounted for on an equity basis		-	-	(1,021)	112	(206)	(1,115)
868,532	Net expenditure for the year		921,324	476	(1,021)	112	(206)	920,685
Other Comprehensive Net Expenditure								
(6,436)	Net gain on revaluation of Property Plant		(23,820)	-	-	-	-	(23,820)
(291)	Net gain on revaluation of available for sales financial assets		-	1,043	-	-	-	1,043
(6,727)	Other Comprehensive Expenditure		(23,820)	1,043	-	-	-	(22,777)
861,805	Comprehensive Net Expenditure		897,504	1,519	(1,021)	112	(206)	897,908

Note 26 b Consolidated Statement of Financial Position

2019 Group			2020 Board	2020 Endowment	2020 Intergroup Adjustment	2020 East Health & Social Care Partnership	2020 North Health & Social Care Partnership	2020 South Health & Social Care Partnership	2020 Group
£000			£000	£000	£000	£000	£000	£000	£000
401,759	Property, plant and equipment	7a	421,967	-	-	-	-	-	421,967
	Financial assets:								
8,456	Available for sale financial assets	10a	-	7,817	-	-	-	-	7,817
1,621	Investments in associates and joint ventures		-	-	1,621	1,021	-	206	2,848
24,199	Trade and other receivables	9	24,683	-	-	-	-	-	24,683
436,035	Total non-current assets		446,650	7,817	1,621	1,021	-	206	457,315
4,981	Inventories	8	5,775	-	-	-	-	-	5,775
	Financial assets:								
26,934	Trade and other receivables	9	28,105	14	(320)	-	-	-	27,799
828	Cash and cash equivalents	11	132	102	-	-	-	-	234
32,743	Total current assets		34,012	116	(320)	-	-	-	33,808
468,778	Total assets		480,662	7,933	1,301	1,021	-	206	491,123
(16,453)	Provisions	13a	(19,115)	-	-	-	-	-	(19,115)
	Financial liabilities:								
(71,701)	Trade and other payables	12	(78,058)	(442)	320	-	-	-	(78,180)
(88,154)	Total current liabilities		(97,173)	(442)	320	-	-	-	(97,295)
380,624	Non-current assets less net current liabilities		383,489	7,491	1,621	1,021	-	-	393,828
(59,844)	Provisions	13a	(68,704)	-	-	-	-	-	(68,704)
	Financial liabilities:								
(65,284)	Trade and other payables	12	(62,437)	-	-	-	-	-	(62,437)
(2,432)	Liabilities in associate and joint ventures		-	-	(2,432)	-	(112)	-	(2,544)
(127,560)	Total non-current liabilities		(131,141)	-	(2,432)	-	(112)	-	(133,685)
253,064	Assets less liabilities		252,348	7,491	(811)	1,021	(112)	-	260,143
	Taxpayers' Equity								
137,874	General fund	SoCTE	125,569	-	-	-	-	-	125,569
106,991	Revaluation reserve	SoCTE	126,779	-	-	-	-	-	126,779
(811)	Other reserves - associates and joint ventu	SoCTE	-	-	(811)	1,021	(112)	206	304
9,010	Fund held on Trust	SoCTE	-	7,491	-	-	-	-	7,491
253,064	Total taxpayers' equity		252,348	7,491	(811)	1,021	(112)	206	260,143

Note 26 b. Consolidated Statement of Financial Position - Prior Year

2018 Group			2019 Board	2019 Endowment	2019 Intergroup Adjustment	2019 East Health & Social Care Partnership	2019 North Health & Social Care Partnership	2019 South Health & Social Care Partnership	2019 Group
£000			£000	£000	£000	£000	£000	£000	£000
395,829	Property, plant and equipment	7a	401,759	-	-	-	-	-	401,759
	Financial assets:								
10,086	Available for sale financial assets	10	-	8,456	-	-	-	-	8,456
943	Investments in associates and joint ventures		-	-	1,678	1,067	-	(1,124)	1,621
44,578	Trade and other receivables	9	24,199	-	-	-	-	-	24,199
451,436	Total non-current assets		425,958	8,456	1,678	1,067	-	(1,124)	436,035
4,090	Inventories	8	4,981	-	-	-	-	-	4,981
	Financial assets:								
14,318	Trade and other receivables	9	26,916	18	-	-	-	-	26,934
540	Cash and cash equivalents	11	134	694	-	-	-	-	828
25	Assets classified as held for sale	7b	-	-	-	-	-	-	-
18,973	Total current assets		32,031	712	-	-	-	-	32,743
470,409	Total assets		457,989	9,168	1,678	1,067	-	(1,124)	468,778
(12,214)	Provisions	13a	(16,453)	-	-	-	-	-	(16,453)
	Financial liabilities:								
(54,076)	Trade and other payables	12	(71,543)	(158)	-	-	-	-	(71,701)
(66,290)	Total current liabilities		(87,996)	(158)	-	-	-	-	(88,154)
404,119	Non-current assets less net current liabilities		369,993	9,010	1,678	1,067	-	(1,124)	380,624
(82,409)	Provisions	13a	(59,844)	-	-	-	-	-	(59,844)
	Financial liabilities:								
(69,653)	Trade and other payables	12	(65,284)	-	-	-	-	-	(65,284)
(1,623)	Liabilities in associate and joint ventures		-	-	(2,904)	-	472	-	(2,432)
(153,685)	Total non-current liabilities		(125,128)	-	(2,904)	-	472	-	(127,560)
250,434	Assets less liabilities		244,865	9,010	(1,226)	1,067	472	(1,124)	253,064
	Taxpayers' Equity								
149,186	General fund	SoCTE	137,874	-	-	-	-	-	137,874
90,882	Revaluation reserve	SoCTE	106,991	-	-	-	-	-	106,991
-680	Other reserves - associates and joint ventu	SoCTE	-	-	(1,226)	1,067	472	(1,124)	(811)
11,046	Fund held on Trust	SoCTE	-	9,010	-	-	-	-	9,010
250,434	Total taxpayers' equity		244,865	9,010	(1,226)	1,067	472	(1,124)	253,064

Note 26 c. Consolidated Statement of Cash Flows

2019 Group		2020 Board	2020 Endowment	2020 East Health & Social Care	2020 North Health & Social Care	2020 South Health & Social Care	2020 Group
£000	Cash flows from operating activities	£000	£000	£000	£000	£000	£000
(868,532)	Net operating cost	(921,324)	(476)	1,021	(112)	206	(920,685)
15,631	Adjustments for non-cash transactions	15,118	-	(1,021)	112	(206)	14,003
6,969	Add back: interest payable recognised in net operating cost	7,042	-	-	-	-	7,042
(377)	Deduct: interest receivable recognised in net operating cost	-	(347)	-	-	-	(347)
(7,936)	Movements in working capital	14,968	288	-	-	-	15,256
(854,245)	Net cash outflow from operating activities	(884,196)	(535)	-	-	-	(884,731)
Cash flows from investing activities							
(8,795)	Purchase of property, plant and equipment	(11,505)	-	-	-	-	(11,505)
(340)	Investment Additions	-	(9,341)	-	-	-	(9,341)
69	Proceeds of disposal of property, plant and equipment	-	-	-	-	-	-
1,767	Receipts from sale of investments	-	8,937	-	-	-	8,937
377	Interest received	-	347	-	-	-	347
(6,922)	Net cash outflow from investing activities	(11,505)	(57)	-	-	-	(11,562)
Cash flows from financing activities							
870,496	Funding	904,986	-	-	-	-	904,986
(1,959)	Capital element of payments in respect of finance leases on-balance sheet PFI contracts	(2,245)	-	-	-	-	(2,245)
(6,969)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(7,042)	-	-	-	-	(7,042)
861,568	Net Financing	895,699	-	-	-	-	895,699
401	Net Increase in cash and cash equivalents in the period	(2)	(592)	-	-	-	(594)
427	Cash and cash equivalents at the beginning of the period	134	694	-	-	-	828
828	Cash and cash equivalents at the end of the period	132	102	-	-	-	234
Reconciliation of net cash flow to movement in net debt/cash							
401	Increase / (decrease) in cash in year	(2)	(592)	-	-	-	(594)
427	Net debt / cash at 1 April	134	694	-	-	-	828
828	Net cash at 31 March	132	102	-	-	-	234

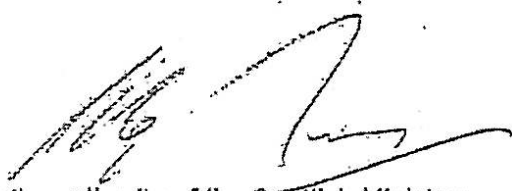
Direction by the Scottish Ministers



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