

Ayrshire and Arran Health Board
Annual Report and Accounts for the year ended 31 March 2019

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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 is to happen in 2019.

In 2018/2019, 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 services during 2018/2019 are prioritised and directed by Integration Joint Boards. There were underspends against these funds in 2018/2019 which are carried forward by the Integration Joint Boards.

Acute Services

A new Accident and Emergency unit at Ayr became operational in February 2016 and the Combined Assessment unit at Crosshouse opened to patients in May 2016. The Combined Assessment Unit at University Hospital Ayr opened in May 2017. 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, reducing the nursing overspend due to these by half, and from April 2019 the remaining 30 acute beds are funded.

Performance during 2018/2019 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. This was evidenced in a report in April 2018 by Healthcare Improvement Scotland. 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 and further rationalisation is planned during 2019.

Capital Schemes

Capital expenditure totalling £8.8 million has been incurred in the year, which matches the capital allocation for the year. The following are the main capital spend areas during 2018/2019.

Capital Schemes	£000
Electro Medical Equipment	3,838
Digital Services	1,255
Water infrastructure	309
Furniture and Equipment	184
CCTV	125
Energy Saving Projects	855
Laboratory	145
University Hospital Ayr Front Door Works	229
University Hospital Crosshouse General Surgery	149
Ayrshire Central Hospital Boilerhouse	315
National Forensic Service in Scotland	455
University Hospital Crosshouse Maxillofacial Treatment Room	351
Strategic Business Case Funding	331
Other small capital projects	254
Total	8,795

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level of fraud/error for calendar year 2018 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	2017
Dental fees	£330,971	£380,481
Ophthalmic fees	£121,566	£130,108

Risks

The Governance Statement outlines the high risks within the strategic risk register and gives a fuller description of actions in relation to the five very high risks, which relates to lack of GP workforce, primary care sustainability, ability to deliver efficiency savings to balance the budget, exposure to malware via email and IT security resource. Some of these risks are outlined below in the context of delivering against the Board's Key Performance Indicators.

Chief Executive Summary

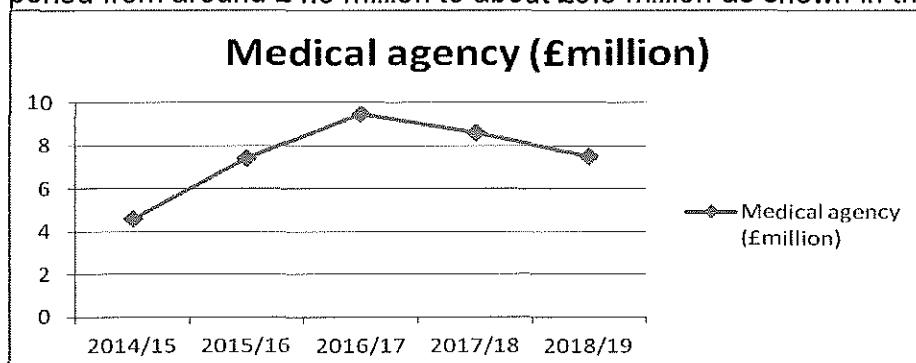
The Board set a deficit budget of £13.2 million for 2016/2017. This was based on £48 million of health cost pressures (including £7 million for national insurance change and £13 million drugs cost pressures), against a funding uplift available for healthcare pressures of £10 million and the Board only being able to deliver £25 million of recurring efficiency savings. The Board was able to achieve a small surplus in 2016/2017 through non-recurring means; however had an underlying recurring deficit of £13.2 million carried into 2017/2018 and 2018/2019. In 2016 the Board tasked the senior management team to bring forward a transformational change improvement programme to identify savings to address the £13.2 million recurring deficit, and to address the medium term sustainability of services.

Other financial pressures in the system, which resulted in £23 million brokerage in 2017/2018 and increased the projected deficit in 2018/2019 to £22.4 million, fall into three main areas:

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

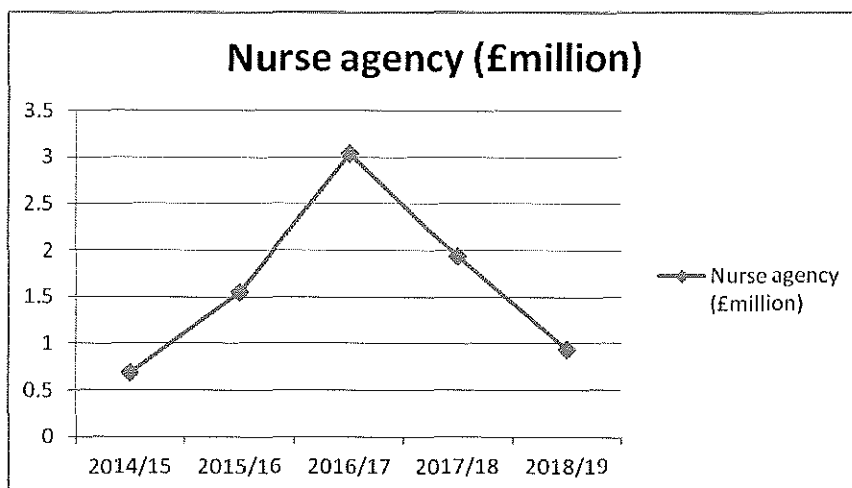
Medical and Nursing Workforce

Medical workforce challenges saw spend on agency doctors double over a two year period from around £4.6 million to about £9.5 million as shown in the graph below:



This is as a result of increasing medical vacancies and, as the cost of an agency doctor averages over twice the budget for the vacant post, a £5 million cost pressure arose. The use of locum doctors is a risk based decision and is always informed by the need to keep services safe for the citizens across Ayrshire. Redesigning services and using different skills are ways that the Board have sought to mitigate these issues. In 2017/2018, the agency medical spend reduced by 10% to £8.6 million and in 2018/2019 a further £1 million saving was achieved. A further £1 million reduction is planned for 2019/2020.

Nurse agency spend had increased as shown in the graph below to over £3 million in 2016/2017. Additional nursing staff have been recruited in response to the nursing workforce tools and this has resulted in agency spend reducing in 2017/2018 to £1.9 million and tighter approved controls in 2018/2019 allowed a further £1 million reduction.



Unscheduled Care

The combination of unscheduled care demand, and delays in transferring patients to home or a social care setting, manifests in the use of an additional 100 beds across the acute hospitals. These beds were not planned or funded so plans to close them in 2018/2019 have been achieved with the balance of 30 beds being funded from 1 April 2019.

New Medicines

Medicines costs have risen by over 25% over the last five years, mainly driven by high cost new drugs. In 2018/2019, expenditure on these new drugs rose by £1.3 million and in addition, expenditure on multiple sclerosis drugs increased by £1 million. The Board has little control over new medicines approved nationally and so has increased this budget by over £4 million for 2019/2020.

For 2018/2019 the Board set a £22.4 million deficit budget. As well as closing unfunded acute beds, the Board planned to reduce medical and agency nursing spend and achieve recurring cash releasing efficiency savings of around £20 million. Brokerage of £20 million was provided by Scottish Government which allowed the Board to achieve a small surplus in 2018/2019. The brokerage received in 2017/2018 and 2018/2019 does not require to be repaid.

2. Performance Analysis

Financial performance and position

	Resource Limit	Actual Outturn	Variance (Over)/Under
	£000	£000	£000
Core Revenue Resource Limit	797,120	796,626	494
Non-core Revenue Resource Limit	25,730	25,730	0
Total Revenue Resource Limits	822,850	822,356	494
Core Capital Resource Limit	8,795	8,795	0
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	8,795	8,795	0
Cash Requirement	870,496	870,496	0

Memorandum for in year outturn

£000

Reported Surplus in 2018/19	129
Approved Carry-forward surplus from previous financial year	365
Surplus against in year total Revenue Resource Limit	494

The accounts have been prepared under an accounts direction and on a going concern basis. As detailed in the Chief Executive summary above, a deficit budget of £22.4 million was set for 2018/2019, however the level of projected overspend reduced during the year so that a requirement for £20 million of financial brokerage was secured from Scottish Government and is included in the Resource limit in the table above. 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 2019/2020 draft budget is not balanced by £14.7 million and the financial plan shows a £6.7 million deficit in 2020/2021 before breaking even in 2021/2022. 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.

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 2018/2019 was £2.49 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 2018/2019 was £3.62 million.

Woodland View

The new mental health and community hospital in Irvine was built under the non-profit distributing model at a cost of around £46.6 million. The facility has 206 inpatient bedrooms and was built by Balfour Beatty construction. The contract with Woodland View Project Co Ltd is for a period of 25 years from April 2016, at the end of which the building transfers free of charge to the Board. The unitary charge paid in 2018/2019 was £4.98 million.

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

Provisions

Note 13b to the accounts shows a provision for around £67 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 (£30.3 million) and there is a corresponding debtor due from CNORIS in note 9 in the amount of £28 million. In addition, note 13a reflect NHS Ayrshire & Arran's share of the national future CNORIS liability in the amount of £39 million.

Performance against Key Non-Financial Targets

In previous years, NHS Ayrshire & Arran was monitored by the Scottish Government against a number of indicators known as the 'Local Delivery Plan (LDP) Standards'. The LDP was a contract between the Scottish Government and the Health Board whereby each Board routinely reported performance against trajectories which were mutually agreed. Outcomes were then discussed at an Annual Review meeting held between the Scottish Government and NHS Ayrshire & Arran Health Board.

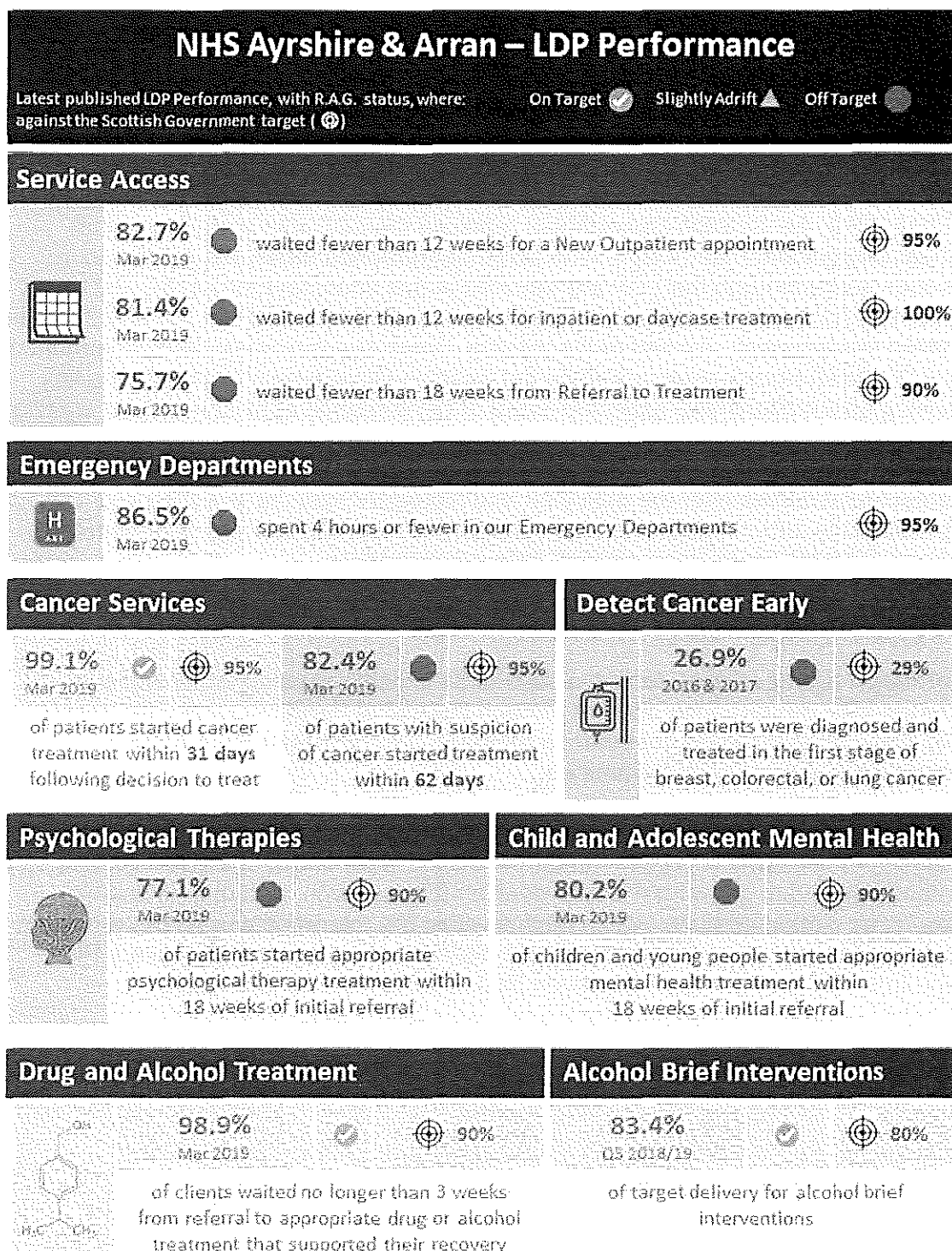
In 2018/2019, the Scottish Government replaced the LDP with a more succinct Annual Operational Plan (AOP). The same performance measures published in previous years through the LDP are reported in this document for 2018/2019. NHS Ayrshire & Arran has recently submitted a first draft of their AOP for 2019/2020 to the Scottish Government. As part of the Waiting Times Improvement Plan component of the AOP, NHS Boards were asked by the Scottish Government to include the key planning assumptions and expected levels of performance against a suite of waiting times measures including Inpatient/Daycases, Outpatients, Cancer, diagnostics and CAMHS. The Waiting Times Improvement Plan for Ayrshire and Arran sets out the planned deliverables over the next year and highlights how these will lead to improvements throughout this period and into the following two years to meet the National Waiting Times Improvement Plan commitments.

Performance Summary

Information has been provided on a suite of 21 indicators, using either National reported LDP performance data, or through the use of validated local data, that has been through appropriate governance protocols and has been reported to Performance Governance Committee.

Based on the most up to date published data available on the performance position for each of the twenty one LDP standards, eleven were showing a Red position (stop symbol), nine were showing a Green position (tick symbol), with one indicator showing an Amber position (which means within 5% tolerance and shows a triangle symbol). The previous year performance against twenty two Local Delivery Plan standards was very similar with eleven Red, nine Green and two Amber.

Those indicators with a position of Red (outwith >5% of trajectory) and Amber (currently within 5% of trajectory), are discussed in more detail following the infographic.



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 ❌

Advance Booking - GP



61.8%
2017/18



80%

of survey responses were positive for booking a GP consultation more than 2 working days in advance

48 hour GP Access

92.3%
2017/18



90%

of survey responses were positive for 48-hour access to an appropriate healthcare professional

Early Access to Antenatal Services



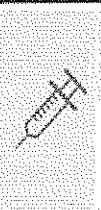
85.4%
Jun 2018



80%

of pregnant women were booked for antenatal care by the 12th week of gestation

IVF Treatment



100%
Q3 2018/19



90%

of eligible patients commenced IVF treatment within 12 months of referral

Smoking Cessation



71.7%
Q2 2018/19



40%

of successful smoking quits after 12 weeks, for people residing in the 40% most deprived SIMD areas

Dementia – Post Diagnostic Support



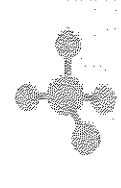
97.6%
2016/17



100%

of people newly diagnosed with dementia were offered a minimum of one year's post-diagnostic support

Healthcare Associated Infections



0.25
Q3 2018/19



rate of clostridium difficile (c.diff) infections in patients aged 15 and over, per 1,000 total occupied bed days



0.32

0.30
Q3 2018/19



rate of MRSA/MSSA (SAB) cases per 1,000 acute occupied bed days



0.24

Sickness Absence

4.79%
Mar 2019



4.0%

of contracted staffing hours lost to short term and long term sickness absence

Financial Performance



£0.54m
2018/19



£0

operational deficit across Revenue Resource Limit (RRL), Capital Resource Limit (CRL), and Cash Requirement

Maximum 12 Weeks wait for new 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 states that by October 2019, 80% of outpatients will wait less than 12 weeks to be seen, increasing to 95% by Spring 2021. Within NHS Ayrshire & Arran, compliance against the National Target has decreased from a position of 84.9% in March 2018 to 82.7% in March 2019.

For Outpatients, the trajectory set by NHS Ayrshire & Arran was for no more than 4,695 patients to be waiting over 12 weeks. At March 2019, the actual number of patients waiting over 12 weeks was 4,593. Further improvement is planned in 2019/2020.

Treatment Time Guarantee (Maximum 12 Weeks wait to Inpatient or Day Case treatment)

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 being received (Treatment Time Guarantee). The National Waiting Times Improvement plan states 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 & Arran, compliance against the National Target increased from a position of 74.3% in March 2018 to 81.4% by March 2019.

For 2018/2019 the improvement trajectory set by NHS Ayrshire & Arran was for no more than 610 patients to be waiting over 12 weeks. At March 2019, the actual number of patients waiting over 12 weeks was 614.

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. Performance is linked to stage of treatment performance and recruitment difficulties. The position at February 2019 (77.2%) has marginally worsened since the same point last year, when compliance at February 2018 was 78.6%. Improvements in the outpatient target and treatment time guarantee will improve the RTT performance.

A&E Waiting times to be a Maximum of 4 hours

Within NHS Ayrshire & Arran, compliance against the National Target has decreased from a position of 90.5% in March 2018 to 86.5% in March 2019. Emergency Department (ED) 4-Hour Wait 95% target has been achieved in only 3 of the past 12 months (May 2018, June 2018 and July 2018). The most recent published national data also shows that from January 2019, NHS Ayrshire & Arran performance has fallen below the Scotland average, the first time it has done so since October 2017.

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 may negatively impact on the flow within the acute system. There were 51 delays over 2 weeks (excluding code 9 complex delays) for January 2019, an increase of 16 from the same

period last year (Jan 2018: 35).

Investment in the new Enhanced Intermediate Care and Rehabilitation Services which went live on 19 November 2018, aims to support discharge and these transfers of care. The part year cost in 2018/2019 was about £1 million. A dedicated Improvement Team has been established to support early discharge planning and the setting of estimated dates of discharge with the aim of increasing flow within the Acute Hospitals.

62-Day Cancer: Suspicion-of-Cancer Referrals (62 days)

The 95% target for those referred urgently with a suspicion of cancer to begin treatment within 62 days of receipt of referral, has not been met, and has been consistently below the 95% target, with compliance in March 2019 at 82.4%. This was higher than the Scotland compliance of 81.6% in March 2019. Previously, with the exception of the months when demand on services was particularly high, compliance against the 95% target has regularly been higher when compared to Scotland. NHS Ayrshire & Arran has recently submitted a first draft of their 2019/2020 Annual Operational Plan to the Scottish Government which included key planning actions and trajectories which commits to achieving the 62-day waiting time standard of 95% by Spring 2021.

Detect Cancer Early

Throughout the calendar years of 2016 and 2017, 26.9% of combined breast, colorectal, and lung cancer cases were diagnosed and treated in the first stage, an increase of 0.8 percentage points from the previous year's performance (2015 and 2016: 26.1%). Although performance for this measure is below the 29% target, performance has continued to improve year on year, with NHS Ayrshire & Arran being amongst the top three mainland boards.

Faster Access to Psychological Therapies - 18 weeks

In March 2019, 77.1% of referrals to psychological therapies were seen within 18 weeks. It should be noted that this is lower when compared to the same period in 2018, when compliance was 86.9%.

A whole system review of psychological services has been undertaken, supported with additional Scottish Government and NES fixed term funding and investment in improving access to Psychological Therapies. A Pan-Ayrshire strategic professional leadership role has been developed in addition to the integration of Psychological Services staff into operational community teams, where appropriate to do so, enabling joint accountability and co-management responsibility at an operational level, to ensure the delivery of transformational change and improving access at a local level. Currently, improvement plans are being developed linked to waiting times trajectories to meet the standard by, or before, December 2020.

Faster Access to CAMHS (Child and Adolescent Mental Health Services)

The Mental Health waiting times target of 90% for CAMHS has not been achieved in recent months. It should be noted that this is considerably lower when compared to the same period in 2018, when compliance was 98.3%.

There are currently a number of vacancies within service, including nursing and psychiatry, which has had an impact on assessment and intervention times. In addition, referral rates to CAMHS have significantly increased across all Health and Social Care Partnerships with additional demand in responding to urgent referrals and an increase in urgent referral places placing considerable strain across the system. CAMHS are actively recruiting to all posts and are assured that once at full compliment, will be compliant with waiting times.

Advance Booking – GP

The most recent Health and Care Experience Survey 2017/2018 shows that 61.8% of patients responded positively for booking an appointment with a GP more than 48 hours in advance, against an 80% target. The NHS Ayrshire & Arran Primary Care Improvement Plan aims to transform primary care services in line with the 2020 Vision and National Clinical Strategy. The improvement plan will focus on multidisciplinary team working to ensure that patients have access to the right professional and services at the right time.

Dementia Post Diagnostic Support

For the financial year 2016/2017, 97.6% of people newly diagnosed with dementia were offered a minimum of one year's post-diagnostic support, against a national target of 100%. Whilst below target, this is demonstrative of an increasing trend in performance over the previous two financial years, with compliance at 96.1% in 2015/2016 and 76.4% in 2014/2015.

MRSA/MSSA Reduction (Rate)

Published data demonstrates that the rate of MRSA/MSSA infections for Quarter 3 of 2018/2019 was 0.30 cases per 1,000 occupied bed days, against a target of 0.24. This is a higher rate than was reported in the same quarter of the previous financial year (0.26). NHS Ayrshire & Arran remains committed to reversing the increase. Each staphylococcus aureus bacteraemia (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.

Sickness Absence

NHS Ayrshire & Arran sickness absence rate was 5.24% for the year, against a target of 4%. This is a slight improvement on 2017/2018 figures of 5.3%. In 2019/2020 a non-recurring investment of £130,000 will be made to increase capacity with a target to achieve a reduction of 0.5% in 2019/2020 and a further 0.5% reduction in 2020/2021.

Payment policy

The Scottish Government is committed to supporting businesses by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the Health Board did endeavour to comply with the principles of The Better Payment Practice Code (<http://www.payontime.co.uk/>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.

- In 2018/2019, the Health Board paid 94% by volume and 96% by value of non-NHS suppliers within 30 days of the invoice being received, (compared to 93% and 95% in 2017/2018).
- Based on the date of invoices being received, 86% by volume and 88% by value were paid within 10 days in 2018/2019 (compared to 85% and 87% in 2017/2018).

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 2018/2019, the Board employer contribution was 14.9% of relevant pay costs and amounted to £41.75 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 Act, along with copies of prior year national reports, can be found at the following resource: <http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/>

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

Signed
Chief Executive

Date 24 June 2019

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 24 June 2019.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Deloitte LLP to undertake the audit of Ayrshire and Arran Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board membership

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

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

Dr M Cheyne, Chairman

Mr J Burns, Chief Executive

Mrs M Anderson, Non-Executive Director

Professor H Borland, Nurse Director

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

Councillor L Brennan-Whitefield

Councillor J Cullinane

Mr S Donnelly, Employee Director

Ms C Gilmore, Non-Executive Director (until 31 October 2018)

Dr A Graham, Medical Director

Mr D Lindsay, Director of Finance

Mr R Martin, Non-Executive Director

Dr J McKay, Non-Executive Director

Mr A McKie, Non-Executive Director (until 31 March 2019)

Mr J Rainey, Non-Executive Director (from 1 September 2018)

Councillor D Reid, Non-Executive Director

Ms L Semple, Non-Executive Director (from 1 September 2018)

Miss L Tennant, Non-Executive Director

Mr I Welsh, Non-Executive Director

The Statement of Board Members' responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2019 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 2018/2019, three personal data related incidents were considered to meet the criteria for notification to the Information Commissioner's Office. These three incidents were duly reported. All of the incidents have been 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 2018/2019.

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: and
- Integrated Governance Committee.

These committees have operated throughout 2018/2019 and the Board has considered and discussed the annual report for 2018/2019 produced by each of these committees. The Board is satisfied that the Governance Committees have fulfilled their remit.

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

- Healthcare associated infection;
- Scottish Patient Safety Programme updates;

- patient experience story;
- planned care;
- unscheduled care performance; and
- financial performance.

The function of the Board and its committees during the year was considered effective due to it having an appropriate balance of skills, experience, independence and knowledge, to challenge and scrutinise the work of the executive team within NHS Ayrshire & Arran. Two new Board members received induction and during the year there were Board Workshops for all Board members to discuss particular topics in greater detail. At the October 2018 annual Board development session, a review of corporate governance in NHS Highland and a report on governance by the Scottish Parliament Health and Sport Committee were discussed to identify opportunities for improvement and a self assessment completed which was approved at a subsequent Board meeting. Progress against the action plan will be monitored by the Integrated Governance Committee.

The Board reviews its Code of Corporate Governance annually, which brings all aspects of Corporate Governance (including Standing Orders, Standing Financial instructions and Scheme of Delegation) into a single code. The revisions to the Code were agreed by the Health Board at its meeting in June 2018. 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.

On the 2 April 2015 three Integration Joint Boards were each established as a body corporate by order of the Scottish ministers as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. The Integration Joint Boards have the responsibility for providing social care and defined health care for the residents of Ayrshire and Arran. Governance arrangements have been established to ensure that they are aligned with the Board's governance arrangements.

The Board meets every two months and receives timely, comprehensive and relevant information for discussion and approval. The Board has positive relationships with stakeholders and is a key participant within community planning arrangements across the three councils.

A Ministerial Annual Review took place during 2018/2019. In the follow-up letter from the Cabinet Secretary, the Board was commended for performance in various areas however, work continues around healthcare acquired infections, accident and emergency four-hour wait and the treatment time guarantee targets, which remain challenging to achieve.

Review of Adequacy and Effectiveness

As Accountable Officer, I am responsible for reviewing the adequacy and effectiveness

of the system of internal control. My review is informed by:

- Discussions with and letters of assurance from Directors who are responsible for developing, implementing and maintaining internal controls across their areas;
- minutes and annual reports from Governance Committees;
- the work of the internal auditors who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes together with recommendations for improvement;
- comments by the external auditors in their management letters and other reports; and
- national reports such as Healthcare Improvement Scotland reviews.

The Board receives minutes from each Governance Committee and receives an annual report from each committee to confirm that their remit has been fulfilled. Where necessary a committee can escalate issues for Board scrutiny. No issues were escalated in 2018/2019.

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

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

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

Risk Assessment

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

NHS Ayrshire & Arran is committed to continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice. In 2016/2017 the Board reviewed the Risk Management Strategy, Risk

Appetite Statement, Adverse Events Policy and the Safety Action Notice Policy. The Risk Management Committee ensures that these matters are kept under review. There are five strategic risks which are rated as “very high risk”:

1. Failure to recruit to GP vacancies;
2. Primary Care sustainability;
3. Inability to release sufficient efficiency savings to balance the budget;
4. Exposure to malware via email; and
5. IT security resource.

Failure to recruit to GP vacancies contributes to the Board challenge around primary care sustainability. During 2018/2019 the Board managed four practices where the contract had been ‘handed back’ and attempts to attract new partners had been unsuccessful. These practices were supported with additional pharmacy, physiotherapy and mental health staff and locum GPs covered the medical needs to patients. This resulted in a significant additional cost to the Board and £1 million overspend. The new GP contract agreed nationally in early 2018 will make these practices more attractive and all practices in Ayrshire and Arran will be supported with pharmacist, psychology and other new specialist staff funded through the Primary Care Improvement Fund which rises nationally from £45.75 million in 2018/2019 to £55 million in 2019/2020, £110 million in 2020/2021 and £155 million in 2021/2022. During 2018/2019, two practices moved back to independent contractor status leaving two managed by the Board.

Achieving financial balance is identified in the strategic risk register as very high risk. To treat the risk a Transformational Change Improvement Plan was established in 2016 alongside the cash releasing efficiency plan. This plan is managed through the Board’s Programme Management Office and scrutinised by the Transformation Leadership Group chaired by the Board’s Vice Chair. During 2017/2018, Pricewaterhouse Coopers were appointed to carry out a diagnostic review of the Board’s approach to efficiency and transformation. In early 2018 an Improvement Director was engaged by the Board and was in post throughout 2018/2019. Monthly reports on financial position and progress on interventions are made to Scottish Government. The Board has remained at level 3 of the Scottish Government escalation ladder throughout the year.

The cyber security threat from State as well as individual sources remains high. During 2018/2019 the Board has received national accreditation for cyber security services and in 2019 is investing £2.9 million to move off the windows 7 operating system. In 2018/2019 the Board 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;
- lack of medical staff;
- transformational change programme risks;
- promoting attendance;
- personal development review;
- statutory management of the estate;
- statutory management of occupational road risk;

- delivery of the approved capital plan;
- achieving the legal treatment time guarantee; and
- information governance.

Although there is not a strategic risk on the register for Brexit, the Chief Executive chaired monthly Brexit meetings to mitigate potential impacts on workforce, supply chain and economic impact. The Audit Committee received papers on mitigating actions and the financial statements have not been impacted.

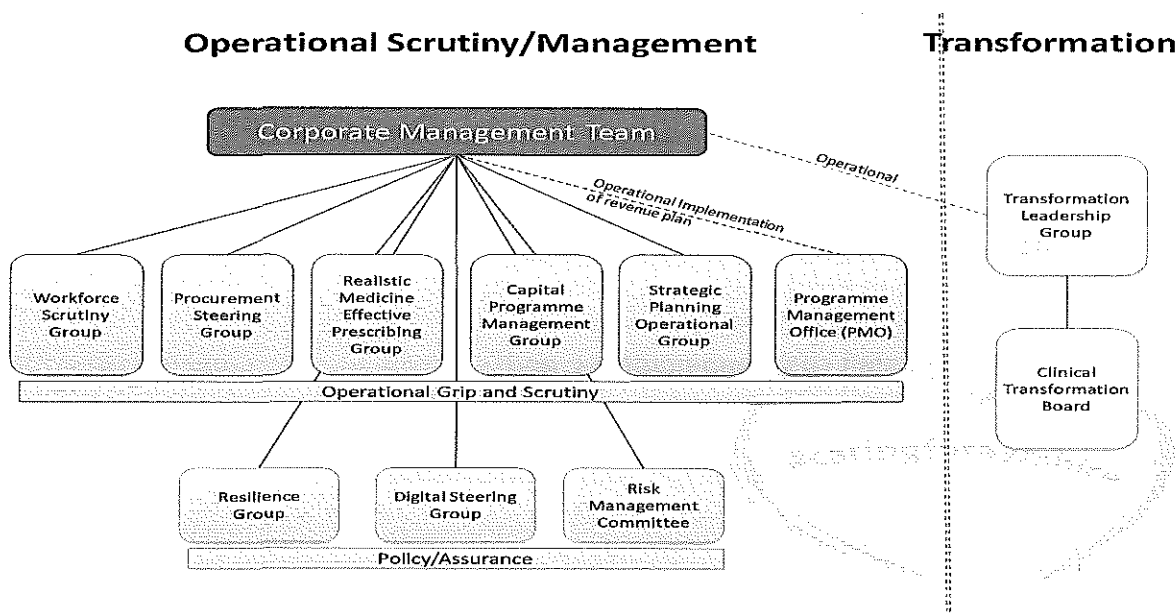
Following a Deanery quality management review of junior doctor training General Medicine at University Hospital Ayr was placed in the General Medical Council's enhanced monitoring regime. This has improved during 2018/2019 and the risk is now only high.

All of these are being actively managed by the relevant risk owner and monitored at quarterly risk management committees. A quarterly report on relevant risks is taken to each governance committee of the Board. There were also monthly Brexit meetings chaired by the Chief Executive to consider and mitigate risks from Brexit.

Annual internal assurance statements on risk management are provided by each Director. This covers culture, organisational policy, governance, risk management competencies and measuring performance.

More generally, the organisation is committed to continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March 2019, and up to the signing of the accounts, the organisation has improved the monthly financial reporting and developed savings tracker reports which are submitted to Scottish Government and the Board Performance Governance Committee.

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



Disclosures

In 2018/2019, out of 17,051 planned day cases and inpatients seen, some 2,957 patients were treated outwith the 12-week treatment time guarantee. This means that 82.7% of patients requiring an operation were admitted within 12 weeks of their outpatient appointment.

In April 2018, a Healthcare Improvement Scotland safety and cleanliness inspection report was published on Ayrshire Central Hospital. This found good infection prevention and control leadership and good cleanliness and maintenance of the environment in the new 206 bed Woodland View facility, however in the old pavilions the equipment and buildings were not so well maintained, resulting in four requirements and one recommendation.

A similar report on University Hospital Crosshouse, published in July 2018, resulted in one requirement and two recommendations for wards and five requirements and one recommendation for theatres. Action plans and reporting arrangements are in place to ensure improvements identified are fully completed.

An internal audit review of Information Technology disaster recovery preparations had one high risk recommendation related to assessing the operational disruption risk at executive level of either testing or not testing the disaster recovery backup process. This was discussed at Corporate Management Team and Information Governance Committee and plans not to test disaster recovery were supported.

During 2018/2019, new General Data Protection Regulations were introduced with severe penalties for non-compliance. Preparatory work to raise awareness of staff and an action plan to establish a comprehensive Information Asset Register are ongoing and an internal audit report in the year highlighted one high risk recommendation.

Remuneration and Staff Report

Remuneration Report

All auditable parts of the report as follows have been tested:

- the single total figure for remuneration for each director;
- the pension entitlement of each director;
- compensation payments;
- payments to past directors;
- analysis of staff costs and numbers; and
- exit packages.

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 M Cheyne, Chair
Mrs M Anderson (from 01 May 2018)
Councillor J Cullinane
Mr S Donnelly

The committee met twice during 2018/2019. 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 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 I. 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

(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)	(v) 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.

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration 2017/2018;

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

Single total figure of remuneration					
Board Members	Directors' Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings In Year (Bands of £5,000)	(i) Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2017/18	2017/18	2017/18	2017/18	2017/18
Executive					
Mr J Burns, Chief Executive	135 - 140	0.0	135 - 140	0	135 - 140
Mr D Lindsay, Director of Finance	105 - 110	2.5	105 - 110	9	115 - 120
Dr A Graham, Medical Director	160 - 165	0.0	160 - 165	0	160 - 165
Professor. H Borland, Nurse Director	85 - 90	0.0	85 - 90	32	115 - 120
Non-executive					
Dr M Cheyne, Chairman	30 - 35	0.0	30 - 35	0	30 - 35
Mrs I Bowie	10 - 15	0.0	10 - 15	0	10 - 15
Mrs M Anderson	5 - 10	0.0	5 - 10	0	5 - 10
Councillor I Brennan-Whitefield (from 7 June 2017)	5 - 10	0.0	5 - 10	0	5 - 10
Councillor J Cullinane (from 7 June 2017)	5 - 10	0.0	5 - 10	0	5 - 10
(ii) Mr S Donnelly	55 - 60	3.5	55 - 60	5	60 - 65
Councillor W Gibson (left 30 April 2017)	0 - 5	0.0	0 - 5	0	0 - 5
Ms C Gilmore	10 - 15	0.0	10 - 15	0	10 - 15
Councillor H Hunter (left 30 April 2017)	0 - 5	0.0	0 - 5	0	0 - 5
Mr R Martin	10 - 15	0.0	10 - 15	0	10 - 15
(iii) Dr J McKay	65 - 70	4.1	70 - 75	2	70 - 75
Mr S McKenzie (left 31 March 2018)	5 - 10	0.0	5 - 10	0	5 - 10
Mr A McKie	10 - 15	0.0	10 - 15	0	10 - 15
Councillor D Reid (left 30 April 2017, from 7 June 2017)	5 - 10	0.0	5 - 10	0	5 - 10
Miss I Tennant	5 - 10	0.0	5 - 10	0	5 - 10
Mr I Welsh	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) Mr S Donnelly is the employee director, and £45 - 50k of his salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(iii) Dr J McKay is a stakeholder director for the Area Clinical Forum, and £55 - 60k of her salary, all benefits in kind and all pension benefits are in respect of non-Board duties

(iv) There were no bonus payments in 2017/18.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2018 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2018 (Bands of £5,000)	Real increase in pension at pension age (Bands of £2,500)	Real increase in lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2017 (£'000)	(iv) Cash Equivalent Transfer Value (CETV) at 31/03/2018 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55 - 60	170 - 175	0	0	1,252	1,261	9
Mr D Lindsay, Director of Finance	35 - 40	85 - 90	0 - 2.5	0	617	645	27
Dr A Graham, Medical Director	60 - 65	185 - 190	0 - 2.5	0 - 2.5	1,252	1,302	25
Professor. H Borland, Nurse Director	35 - 40	100 - 105	0 - 2.5	0 - 2.5	653	700	47
Mr S Donnelly, Non-executive Director	20 - 25	65 - 70	0 - 2.5	0 - 2.5	475	497	17
Dr J McKay, Non-executive Director	20 - 25	70 - 75	0 - 2.5	0 - 2.5	506	529	16

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

Fair Pay Disclosures

2018/2019		2017/2018	
Range of staff remuneration	£17,460-£294,363	Range of staff remuneration	£16,532-£283,854
Highest Earning Director's Total Remuneration (£000's)	£135-£140	Highest Earning Director's Total Remuneration (£000's)	£160-£165
Median Total Remuneration	£30,336	Median Total Remuneration	£29,489
Ratio of median to highest earning director	4.53	Ratio of median to highest earning director	5.51

Commentary

Boards are required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Board's workforce. The banded total remuneration of the highest-paid director in NHS Ayrshire & Arran in the financial year 2018/2019 was £135,000-£140,000 (2017/2018 was £160,000-£165,000). In 2018/2019 this was 4.53 times the median remuneration of the workforce, which was £30,336 while in 2017/2018 this was 5.51 times the median remuneration, which was £29,489.

There was an increase of 2.9% year on year in the median remuneration of the workforce. During 2018/2019, there were 92 clinical members of staff whose remuneration was higher than the highest earning director. During 2017/2018, there were 38 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:

	2019 Number	2018 Number
Employees whose remuneration fell within the following ranges:		
Clinicians		
£ 70,001 to £ 80,000	49	52
£ 80,001 to £ 90,000	41	41
£ 90,001 to £100,000	45	44
£100,001 to £110,000	38	33
£110,001 to £120,000	40	28
£120,001 to £130,000	32	38
£130,001 to £140,000	36	32
£140,001 to £150,000	21	24
£150,001 to £160,000	18	17
£160,001 to £170,000	13	14
£170,001 to £180,000	12	6
£180,001 to £190,000	7	8
£190,001 to £200,000	6	6
£200,001 and above	5	5
Other		
£ 70,001 to £ 80,000	12	14
£ 80,001 to £ 90,000	4	3
£ 90,001 to £100,000	0	0
£100,001 to £110,000	1	4
£110,001 to £120,000	2	0
£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	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2019 Total	2018 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	437	146	340,731	0	0	(794)	340,520	326,467
Social security costs	56	4	34,213	0	0	(94)	34,179	32,421
NHS scheme employers' costs	44	0	41,808	0	0	(98)	41,754	41,550
Other employers' pension costs	0	0	0	0	0	0	0	0
Inward secondees	0	0	0	37	0	0	37	91
Agency and other directly engaged staff	0	0	0	0	8,429	0	8,429	11,208
	537	150	416,752	37	8,429	(986)	424,919	411,737
Compensation for loss of office/early retirement	0	0	88	0	0	0	88	80
Pensions to former Board members	0	0	0	0	0	0	0	0
Total	537	150	416,840	37	8,429	(986)	425,007	411,817

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

123	97
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STAFF NUMBERS

Whole time equivalent (WTE)	4	14	9,432	1	54	(13)	9,491	9,531
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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
65	65
0	0

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

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

c Staff Composition

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

	2019				2018		
	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	14	25		11	12	23
Other	1,652	9,047	10,699		1,758	9,251	11,009
Total Headcount	1,673	9,069	10,742		1,779	9,271	11,050

d Sickness Absence

	2018	2019
Sickness absence rate	5.3%	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	2019		2018	
	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	2	13	0	0
£10,000 - £25,000	2	42	0	0
£25,000 - £50,000	1	33	0	0
£50,000 - £100,000	0	0	1	80
£100,000- £150,000	0	0	0	0
£150,000- £200,000	0	0	0	0
£200,000- £250,000	0	0	0	0
>£250,000	0	0	0	0
Total	5	88	1	80

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. 2018/2019 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
42	10

Table 2 Percentage of time spent on facility time

Percentage of Time spent on facility time	Number of Employees
0%	0
1 - 50%	35
51-49%	1
100%	6

Table 3 Percentage of pay bill spent on facility time

First Column	Figures
Total cost of Facility time	£358,853
Provide the total pay bill	£423,359,000
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

	3.34%
--	-------

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.

Reference	Description	2018/2019 £000
Losses	Various	289

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Ayrshire & Arran charges for services provided on a full cost basis whenever applicable. NHS Ayrshire & Arran host, on behalf of NHS Scotland, the financial ledger and helpdesk. The staffing, software and managed technical service costs are met by the Board then recharged to the other twenty-one Boards. Income from Boards of £2.6 million offset the costs for the year of £2.6 million. In addition the Board provided a payroll service to another Board and charged £0.04 million.

Signed
Chief Executive

Date 24 June 2019

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 2019 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 Statement of Changes in Taxpayers' Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 three 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.

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.

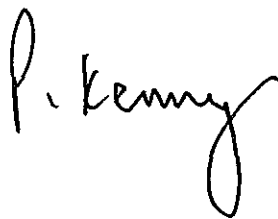
We have nothing to report in respect of these matters.

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.



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

24 June 2019

2018 £000		Note	2019 £000
411,737	Employee expenditure	3a	425,870
105,377	Independent Primary Care Services	3b	113,758
153,333	Drugs and medical supplies		154,049
<u>630,677</u>	Other health care expenditure		<u>645,011</u>
1,301,124			1,338,688
(442,197)	Less: operating income	4	(469,741)
546	Associates and joint ventures accounted for on an equity basis		(415)
859,473	Net expenditure for the year		868,532
	Other Comprehensive Net Expenditure		
(18,852)	Net (gain) / loss on revaluation of property, plant and equipment		(6,436)
470	Net (gain) / loss on revaluation of available for sale financial assets		(291)
(18,382)	Other Comprehensive Expenditure		(6,727)
 841,091	 Comprehensive Net Expenditure		 861,805

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

NHS Ayrshire and Arran
Summary of Resource Outturn
for the year ended 31st March 2019



	Note	2019 £000
Summary Of Core Revenue Resource Outturn		
Net Operating Costs	SoCNE	868,532
Total Non-Core Expenditure (see below)		(25,730)
Family Health Services Non-Discretionary Allocation		(46,734)
Donated Assets Income	2a	932
Endowment Net Operating Costs		(789)
Associates and Joint Ventures accounted for on an equity basis		415
Total Core Expenditure		796,626
Core Revenue Resource Limit		<u>797,120</u>
Saving against Core Revenue Resource Limit (RRL)		494
Summary Of Non-Core Revenue Resource Outturn		
Capital Grants to Other Bodies		972
Depreciation / Amortisation		13,880
Annually Managed Expenditure - Impairments		3,735
Annually Managed Expenditure - Creation of Provisions		(902)
Annually Managed Expenditure - Depreciation of Donated Assets	2a	400
Additional SGHSCD non-core funding		6,000
IFRS PFI Expenditure		<u>1,645</u>
Total Non-Core Expenditure		25,730
Non Core Revenue Resource Limit		<u>25,730</u>
Excess against Non Core Revenue Resource Limit (RRL)		0

Summary Resource Outturn

	Resource £000	Expenditure £000	Saving (Excess) £000
Core	797,120	796,626	494
Non-Core	<u>25,730</u>	<u>25,730</u>	<u>0</u>
Total	822,850	822,356	494

NHS Ayrshire and Arran
Consolidated Statement of Financial Position
for the year ended 31st March 2019



Consolidated 2018	Board 2018			Consolidated 2019	Board 2019
£000	£000		Note	£000	£000
402,643	402,643	Property, plant and equipment	7a	401,759	401,759
		Financial assets:			
9,592	0	Investments	10	8,456	0
1,678	0	Investments in associates and joint ventures		1,621	0
<u>25,960</u>	<u>25,960</u>	Trade and other receivables	9	<u>24,199</u>	<u>24,199</u>
439,873	428,603	Total non-current assets		436,035	425,958
4,597	4,597	Inventories	8	4,981	4,981
		Financial assets:			
40,984	41,257	Trade and other receivables	9	26,934	26,916
<u>427</u>	<u>142</u>	Cash and cash equivalents	11	<u>828</u>	<u>134</u>
46,008	45,996	Total current assets		32,743	32,031
485,881	474,599	Total assets		468,778	457,989
(32,524)	(32,524)	Provisions due within one year	13a	(16,453)	(16,453)
		Financial liabilities:			
<u>(71,661)</u>	<u>(71,565)</u>	Trade and other payables	12	<u>(71,701)</u>	<u>(71,543)</u>
(104,185)	(104,089)	Total current liabilities		(88,154)	(87,996)
381,696	370,510	Non-current assets less net current liabilities		380,624	369,993
(66,839)	(66,839)	Provisions due outwith one year	13a	(59,844)	(59,844)
		Financial liabilities:			
(67,580)	(67,580)	Trade and other payables	12	(65,284)	(65,284)
<u>(2,904)</u>	<u>0</u>	Liabilities in associates and joint ventures		<u>(2,432)</u>	<u>0</u>
(137,323)	(134,419)	Total non-current liabilities		(127,560)	(125,128)
244,373	236,091	Assets less liabilities		253,064	244,865
		Taxpayers' Equity			
130,905	130,905	General fund	SoCTE	137,874	137,874
105,186	105,186	Revaluation reserve	SoCTE	106,991	106,991
(1,226)	0	Other reserves - associates and joint ventures	SoCTE	(811)	0
<u>9,508</u>	<u>0</u>	Fund held on Trust	SoCTE	<u>9,010</u>	<u>0</u>
244,373	236,091	Total taxpayers' equity		253,064	244,865

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

Adopted by the Board on 24 June 2019

Director of Finance Derek Lindsay

Chief Executive ICP BWA

NHS Ayrshire and Arran
Statement of Consolidated Cash Flows
for the year ended 31st March 2019

2018 £000		Note	2019 £000	2019 £000
	Cash flows from operating activities			
(859,473)	Net operating cost	SoCTE	(868,532)	
21,539	Adjustments for non-cash transactions	2a	15,631	
6,926	Add back: interest payable recognised in net operating cost	2b	6,969	
(392)	Investment income		(377)	
<u>13,443</u>	Movements in working capital	2c	<u>(7,936)</u>	
(817,957)	Net cash outflow from operating activities	27c		(854,245)
	Cash flows from investing activities			
(8,791)	Purchase of property, plant and equipment		(8,795)	
(583)	Investment Additions	10	(340)	
331	Proceeds of disposal of property, plant and equipment		69	
607	Receipts from sale of investments		1,767	
<u>392</u>	Interest received		<u>377</u>	
(8,044)	Net cash outflow from investing activities	26c		(6,922)
	Cash flows from financing activities			
834,560	Cash drawn down	SoCTE	870,496	
	Capital element of payments in respect of finance leases and			
(1,746)	On-balance sheet PFI contracts		(1,959)	
	Interest element of finance leases and			
<u>(6,926)</u>	On-balance sheet PFI/PPP contracts	2b	<u>(6,969)</u>	
825,888	Net Financing	26c		861,568
(113)	Net decrease in cash and cash equivalents in the period	11		401
<u>540</u>	Cash and cash equivalents at the beginning of the period			<u>427</u>
427	Cash and cash equivalents at the end of the period			828
	Reconciliation of net cash flow to movement in net debt/cash:			
(113)	Increase / (decrease) in cash in year			401
<u>540</u>	Net debt / cash at 1 April			<u>427</u>
427	Net cash at 31 March			828

The Notes to the Accounts, numbered 1 to 27 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 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		-	(1,865)	-	-	(1,865)
Revaluation & impairments taken to operating costs	2a	-	1,865	-	-	1,865
Transfers between reserves		4,631	(4,631)	-	-	0
Net operating cost for the year	SCCF	(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	SCCF	870,496	-	-	-	870,496
Balance at 31 March 2019	SoFP	137,874	106,991	(811)	9,010	253,064

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

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

The following accounting standards have been applied for the first time in 2018/2019:

- **IFRS 9 Financial Instruments**
The standard replaces IAS 39 and introduces a single approach to classification and measurement of financial instruments; a new forward-looking expected loss impairment model; and a revised approach to hedge accounting.
- **IFRS 15 Revenue from Contracts with Customers**
The standard introduces greater disclosures requirements, as well as a new five stage model for assessing and recognising revenue from contracts with customers.

Both standards have been applied retrospectively and without restatement of prior year figures. There is no impact on the accounts from the application of these standards.

(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

There are no new standards, amendments or interpretations issued but not adopted this year.

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 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. Intangible Assets

8.1 Recognition

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

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

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

Software licences:

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

8.2 Measurement

The Board does not hold any assets that meet the recognition criteria above.

8.3 Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

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

9. Non-current assets held for sale

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

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

10. Donated Assets

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

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

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

12. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease unless title to the land is expected to transfer.

13. Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the

carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the Statement of Comprehensive Net Expenditure (SOCNE) are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

14. General Fund Receivables and Payables

Where the Health Board has a positive net cash book balance at the year end, a corresponding creditor is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where the Health Board has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the

underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

NHS Ayrshire & 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.

19. 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.

20. Value Added Tax

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

21. PFI /HUB/NPD Schemes

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

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

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

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

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

22. Provisions

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

23. Contingencies

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

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.

26. Segmental reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 3.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

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

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.

However, they are disclosed in note 25 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Clinical and Medical Negligence Claims

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

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

Valuation of Land and Buildings

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

31. Accounting standards that have been issued but have not yet been adopted

The following table presents a list of recently issued accounting standards and amendments which have not yet been adopted within the FReM.

Standard	Change published	Impact on group
IFRS 14 Regulatory Deferral Accounts	Not EU-endorsed Applies to first time adopters of IFRS after 1 January 2016.	Not applicable

IFRS 16 Leases	Application required for accounting periods beginning on or after 1 January 2019 but not yet adopted by the FReM early adoption is no therefore permitted.	All leases will be brought
IFRS 17 Insurance Contracts	Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM early adopting is not therefore permitted.	Minimal - the Group does not act as an insurer.
IFRIC 23 Uncertainty over Income Tax Treatments	Application required for accounting periods beginning on or after 1 January 2019 but not yet adopted by the FReM early adoption is no therefore permitted.	Limited - the Group's tax arrangements include few uncertainties

Note 2 Notes to the Cash Flow Statement

2018 £000		Note	2019 £000		
Note 2a Consolidated adjustment for non-cash transactions					
14,455	Depreciation	7a	14,782		
450	Depreciation Donated Assets	7a	400		
6,074	Impairments on PPE charged to SOCNE		1,865		
(350)	Funding Of Donated Assets	7a	(932)		
(106)	Profit on disposal of property, plant and equipment		(69)		
546	Investment in IJB		(415)		
470	Realised (gain) / loss on investments		0		
21,539	Total Expenditure Not Paid In Cash	SoCCF	15,631		
Note 2b Consolidated adjustment for non-cash transactions					
	Interest payable				
6,907	PFI Finance lease charges allocated in the year	18	6,969		
19	Other Finance lease charges allocated in the year		0		
6,926	Total Interest Payable		6,969		
Note 2c Consolidated movements in working capital					
2018 £000		Note	2019 £000	2019 £000	2019 £000
Inventories					
(507)	Raw materials and Consumables	8	4,597	4,981	
(507)	Net Increase (Decrease)	8			(384)
Trade and Other Receivables					
(26,666)	Due within one year		40,984	26,934	
18,618	Due after more than one year		25,960	24,199	
		SoCCF	66,944	51,133	
(8,048)	Net Increase (Decrease)				15,811
Trade and Other Payables					
17,585	Due within one year	12	71,661	71,701	
(2,073)	Due after more than one year	12	67,580	65,284	
0	Less: General Fund creditor included in above	12	(117)	(117)	
1,746	Less: lease and PFI creditors included in above	12	(68,637)	(66,678)	
		SoCCF	70,487	70,190	
17,258	Net Increase (Decrease)				(297)
Provisions					
4,740	Statement of Financial Position	13a	99,363	76,297	
		SoCCF	99,363	76,297	
4,740	Net Increase (Decrease)				(23,066)
13,443	Net movement - increase (decrease)				(7,936)

Note 3 Operating Expenses

2018 Board £000	2018 Consolidated £000		2019 Board £000	2019 Consolidated £000
		Note 3a Staff Costs		
89,746	89,746	Medical and Dental	91,972	91,972
181,632	181,632	Nursing	187,098	187,098
<u>140,359</u>	<u>140,359</u>	Other Staff	<u>146,800</u>	<u>146,800</u>
411,737	411,737	Total Staff Costs	425,870	425,870
		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		
54,876	54,876	General Medical Services	59,803	59,803
15,282	15,282	Pharmaceutical Services	17,160	17,160
27,125	27,125	General Dental Services	28,560	28,560
<u>8,094</u>	<u>8,094</u>	General Ophthalmic Services	<u>8,235</u>	<u>8,235</u>
105,377	105,377		113,758	113,758
		Drugs and Medical Supplies		
80,207	80,207	Prescribed drugs Primary Care	79,188	79,188
43,744	43,744	Prescribed drugs Secondary Care	44,221	44,221
<u>29,382</u>	<u>29,382</u>	Medical Supplies	30,640	30,640
153,333	153,333		154,049	154,049
		Other health care expenditure		
455,200	455,200	Contribution to Integration Joint Boards	480,250	480,250
59,525	59,525	Goods and services from other NHS Scotland bodies	64,102	64,102
519	519	Goods and services from other UK NHS bodies	372	372
4,164	4,164	Goods and services from private providers	3,518	3,518
5,420	5,420	Goods and services from voluntary organisations	5,664	5,664
43	43	Resource Transfer	43	43
102,831	102,836	Other operating expenses (analysed in note 3c below)	90,172	90,074
220	181	External Auditor's remuneration - statutory audit fee	162	162
	34	External Auditor's remuneration - IJB	37	37
<u>0</u>	<u>2,755</u>	Endowment Fund expenditure	<u>0</u>	<u>789</u>
627,922	630,677		644,320	645,011
886,632	889,387	Other Operating Expenditure	912,127	912,818

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

2018 Board £000	2018 Consolidated £000		2019 Board £000	2019 Consolidated £000
		Other Operating Expenses reported above includes ; Note		
14,454	14,455	Depreciation on owned assets	14,782	14,782
6,074	6,074	Impairment of building assets	1,865	1,865
9,641	9,641	Utility and rates	10,108	10,108
10,452	10,452	PFI	10,637	10,637
1,901	1,901	CNORIS participation	2,780	2,780
3,873	3,873	Increase (decrease) in provision for compensation payments	(646)	(646)
11,167	11,167	Equipment and IT additions and maintenance	10,235	10,235
<u>45,269</u>	<u>45,273</u>	Other	<u>40,411</u>	<u>40,313</u>
102,831	102,836	Other operating expenses per note 3b above SoCNE	90,172	90,074

Note 4 Operating Income

2018 Board £000	2018 Consolidated £000	Note	2019 Board £000	2019 Consolidated £000
24,710	24,710	Income from other NHS Scotland bodies	26,057	26,057
659	659	Income from NHS non-Scottish bodies	609	609
168	168	Income from private patients	241	241
390,069	390,069	Income for services commissioned by Integration Joint Board	415,616	415,616
5,406	5,406	Patient charges for primary care	5,736	5,736
350	350	Donations	932	932
106	106	Profit on disposal of assets	69	69
Non NHS:				
15	15	Overseas patients (non-reciprocal)	27	27
0	1,217	Endowment Fund Income	0	1,412
<u>19,497</u>	<u>19,497</u>	Other	<u>20,552</u>	<u>19,042</u>
440,980	442,197	Total Income	469,839	469,741

Note 5 Segmental Information

	Acute £000	East HSCP £000	North HSCP £000	South HSCP £000	Corporate £000	Group £000
Net operating cost	351,537	172,224	142,625	85,964	116,182	868,532
Net operating cost - prior year	341,044	151,215	138,814	99,378	129,022	859,473

Note 6 Intangible Assets (Non-Current) Consolidated Board

	2018 £000	2019 £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 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 2018 (SoFP)	16,324	368,797	556	-	11,874	2,865	754	1,473	402,643
Net book value at 31 March 2019	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 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 2018 £000
Cost or valuation									
At 1 April 2017	16,893	352,177	1,006	273	82,936	30,425	10,616	12,166	506,492
Additions Purchased	-	2,714	-	-	3,232	1,308	85	1,452	8,791
Additions Donated	-	-	-	-	350	-	-	-	350
Completions	-	9,671	-	-	-	-	-	(9,671)	-
Revaluation	81	7,892	-	-	-	-	-	-	7,973
Impairment Charge	(650)	(2,683)	(450)	-	-	-	-	(2,474)	(6,257)
Disposals Purchased	-	(200)	-	-	(26,594)	(24,598)	(2,951)	-	(54,343)
Disposals Donated	-	-	-	(66)	(1,946)	-	-	-	(2,012)
At 31 March 2018	16,324	369,571	556	207	57,978	7,135	7,750	1,473	460,994
Depreciation									
At 1 April 2017	-	712	-	273	72,021	27,986	9,671	-	110,663
Provided during the year Purchased	-	11,014	17	-	2,266	882	276	-	14,455
Provided during the year Donated	-	93	-	-	357	-	-	-	450
Revaluation	-	(10,862)	(17)	-	-	-	-	-	(10,879)
Impairment Charge	-	(183)	-	-	-	-	-	-	(183)
Disposals Purchased	-	-	-	-	(26,594)	(24,598)	(2,951)	-	(54,143)
Disposals Donated	-	-	-	(66)	(1,946)	-	-	-	(2,012)
At 31 March 2018	-	774	-	207	46,104	4,270	6,996	-	58,351
Net book value at 1 April 2017 (SoFP)	16,893	351,465	1,006	-	10,915	2,439	945	12,166	395,829
Net book value at 31 March 2018	16,324	368,797	556	-	11,874	2,865	754	1,473	402,643
Open Market Value of Land in Land and Dwellings included above	6,784	-	520	-	-	-	-	-	7,304
Asset financing:									
Owned - purchased	16,324	281,323	556	-	10,748	2,865	754	1,473	314,043
Owned - donated	-	3,130	-	-	1,126	-	-	-	4,256
Held on finance lease	-	1,491	-	-	-	-	-	-	1,491
On-balance sheet PFI contracts	-	82,853	-	-	-	-	-	-	82,853
Net book value at 31 March 2018	16,324	368,797	556	-	11,874	2,865	754	1,473	402,643

Note 7 b. Assets held for Sale

The NHS Board currently has no Assets Held for Sale.

Assets held for Sale - Consolidated and Board		2018	2019
		£000	£000
At 1 April		25	0
Disposals of non-current assets held for sale		(25)	0
At 31 March	SoFP	0	0

Note 7c. Property, Plant and Equipment Disclosures

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
398,387	398,387	Purchased	7a	396,946	396,946
<u>4,256</u>	<u>4,256</u>	Donated	7a	<u>4,813</u>	<u>4,813</u>
402,643	402,643	Net book value of property, plant and equipment at 31 March		401,759	401,759
7,304	7,304	Net book value related to land valued at open market value at 31 March		7,535	7,535
24,767	24,767	Net book value related to buildings valued at open market value at 31 March		24,972	24,972
		Total value of assets held under:			
1,491	1,491	Finance Leases		1,429	1,429
<u>82,853</u>	<u>82,853</u>	PFI and PPP Contracts		<u>81,975</u>	<u>81,975</u>
84,344	84,344			83,404	83,404
		Total depreciation charged in respect of assets held under:			
61	61	Finance leases		61	61
<u>2,665</u>	<u>2,665</u>	PFI and PPP contracts		<u>2,926</u>	<u>2,926</u>
2,726	2,726			2,987	2,987

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2019 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 £6.436m (2017-18: an increase of £18.852m) which was credited to the revaluation reserve. Impairment of £1.866m (2017-18: £6.074m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

Note 7d Analysis of Capital Expenditure

2018		2018
£000		£000
8,791	Acquisition of Property, plant and equipment	8,795
<u>350</u>	Donated Asset Additions	<u>932</u>
9,141	Gross Capital Expenditure	9,727
200	Net book value of disposal of property, plant and equipment	0
25	Value of disposal of Non-Current Assets held for sale	0
<u>350</u>	Donated Asset Income	<u>932</u>
575	Capital Income	932
8,566	Net Capital Expenditure	8,795
Summary of Capital Resource Outturn		
8,566	Core capital expenditure included above	8,795
<u>8,566</u>	Core Capital Resource Limit	<u>8,795</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
8,566	Total Capital Expenditure	8,795
<u>8,566</u>	Total Capital Resource Limit	<u>8,795</u>
0	Saving against Total Capital Resource Limit	0

Note 8 Inventories

Consolidated	Board		Consolidated	Board
2018	2018		2019	2019
£000	£000		£000	£000
<u>4,597</u>	<u>4,597</u>	Raw Materials and Consumables	<u>4,981</u>	<u>4,981</u>
4,597	4,597		4,981	4,981

Note 9 Trade and Other Receivables

Consolidated 2018 £000	Board 2018 £000			Consolidated 2019 £000	Board 2019 £000
			Note		
692	692	Boards		856	856
692	692	NHS Scotland receivables due within 1 year		856	856
132	132	NHS Non-Scottish Bodies		289	289
1,000	1,000	VAT recoverable		4,922	4,922
1,687	1,687	Prepayments		1,876	1,876
2,112	2,112	Accrued income		3,538	3,538
11,594	11,867	Other Receivables		11,639	11,621
23,767	23,767	Reimbursement of provisions		3,814	3,814
40,292	40,565	Other receivables due within one year		26,078	26,060
40,984	41,257	Total receivables due within one year	SoFP	26,934	26,916
25,960	25,960	Reimbursement of Provisions		24,199	24,199
25,960	25,960	Total Receivables due after more than one year	SoFP	24,199	24,199
66,944	67,217	Total Receivables		51,133	51,115
58	58	Provision for impairment included above		58	58
		WGA Classification			
692	692	NHS Scotland		856	856
188	188	Central Government Bodies		264	264
647	647	Whole of Government Bodies		694	694
132	132	Balances with NHS Bodies in England and Wales		289	289
65,285	65,558	Balances with bodies external to Government		49,030	49,012
66,944	67,217	Total Current Receivables		51,133	51,115
		Movement on the provision for impairment of receivables:			
39	39	At 1 April		58	58
19	19	Provision for impairment		0	0
58	58	As at 31st March		58	58

As of 31 March 2019, receivables with a carrying value of £0.058m (2018: £0.058m) were impaired and provided for. The ageing of these receivables is as follows:

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

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2019, receivables with a carrying value of £0.784 million (2018: £1.461 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

851	851	Up to 3 months past due	192	192
468	468	3 to 6 months past due	462	462
142	142	Over 6 months past due	129	129
1,461	1,461	As at 31st March	784	784

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

1,461	1,461	Existing customers with no defaults in the past	784	784
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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:

66,944	67,217	Pounds	51,133	51,115
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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 2018

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

The fair value of long term other receivables is £nil (2018: £nil).

The effective interest rate on non-current other receivables is 0% (2018: 0%).

Pension liabilities are discounted at 0.29% (2018: 0.1%).

Note 10 Available for Sale Financial Assets

Consolidated 2018 £000	Board 2018 £000		Note	Consolidated 2019 £000	Board 2019 £000
<u>9,592</u>		Other		<u>8,456</u>	
9,592	-	Total Assets Available for Sale	SoFP	8,456	-
10,086		At 1 April		9,592	
583		Additions		340	
(607)		Disposals		(1,767)	
<u>(470)</u>		Revaluation surplus / (deficit) transferred to equity		<u>291</u>	
9,592	-	At 31 March		8,456	-
<u>9,592</u>		Non-current	SoFP	<u>8,456</u>	
9,592	-	At 31 March		8,456	-

Note 11. Cash and Cash Equivalents

2018 £000		2019 £000
540	Balance at 1 April	427
<u>(113)</u>	Net change in cash and cash equivalent balances	<u>401</u>
427	Balance at 31 March	828
427	Total Cash - Cash Flow Statement	828
	The following balances at 31 March were held at:	
118	Government Banking Service	110
24	Commercial banks and cash in hand	24
<u>285</u>	Endowment cash	<u>694</u>
427	Balance at 31 March	828

Note 12 Trade and Other Payables

Consolidated 2018	Board 2018			Consolidated 2019	Board 2019
£000	£000		Note	£000	£000
8,178	8,178	NHS Scotland payables due within 1 year	SFR 30.0	6,358	6,358
23	23	NHS Non-Scottish bodies	SFR 30.2	1	1
117	117	Amounts Payable to General Fund		117	117
18,824	18,824	FHS Practitioners		19,586	19,586
2,473	2,473	Trade Payables		302	302
23,660	23,660	Accruals		26,492	26,492
261	261	Deferred income		294	294
19	19	Net obligations under Finance Leases	17	20	20
1,973	1,973	Net obligations under PPP / PFI Contracts	18	2,230	2,230
8,366	8,366	Income tax and social security	SFR 30.1	8,171	8,171
5,640	5,640	Superannuation		5,327	5,327
223	223	Holiday Pay Accrual		223	223
420	420	EC Carbon Emissions		428	428
1,485	1,389	Other payables		2,152	1,994
63,484	63,387	Other payables due within one year		65,343	65,185
71,662	71,565	Total payables due within one year	SoFP	71,701	71,543
20	20	Net obligations under Finance Leases due within 2 years	17	21	21
68	68	Net obligations under Finance Leases due after 2 years but within 5 years	17	72	72
164	164	Net obligations under Finance Leases due after 5 years	17	139	139
2,330	2,330	Net obligations under PPP / PFI Contracts due within 2 years	18	2,741	2,741
9,069	9,069	Net obligations under PPP / PFI Contracts due after 2 years but within 5 years	18	8,608	8,608
54,994	54,994	Net obligations under PPP / PFI Contracts due after 5 years	18	52,847	52,847
935	935	Deferred income		856	856
67,580	67,580	Total payables due after more than one year	SoFP	65,284	65,284
139,242	139,146	Total payables		136,985	136,827
8,178	8,178	WGA Classification			
8,366	8,366	NHS Scotland		6,358	6,358
(5)	(5)	Central Government bodies		8,171	8,171
23	23	Whole of Government bodies		0	0
122,679	122,583	Balances with NHS bodies in England and Wales		1	1
139,242	139,146	Balances with bodies external to Government		122,455	122,297
		Total current liabilities		136,985	136,827
271	271	Borrowings included above comprise:			
68,366	68,366	Finance Leases		252	252
68,637	68,637	PFI Contracts		66,426	66,426
		As at 31st March		66,678	66,678
252	252	The carrying amount and fair value of the non-current borrowings are as follows			
66,393	66,393	Finance Leases		232	232
66,645	66,645	PFI Contracts		64,196	64,196
		As at 31st March		64,428	64,428
139,241	139,145	The carrying amount of receivables are denominated in the following currencies:			
		Pounds		136,827	136,827

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 2019 £000
At 1 April 2018	7,216	52,281	39,631	235	99,363
Arising during the year	223	4,986	6,407	283	11,899
Utilised during the year	(543)	(6,520)	(1,833)	(280)	(9,176)
Unwinding of discount	113	0	(85)	0	28
Reversed unutilised	(78)	(20,413)	(5,133)	(193)	(25,817)
At 31 March 2019	6,931	30,334	38,987	45	76,297
The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross. The amount of any expected reimbursements are separately disclosed as receivables in note 9.					
Payable in one year	544	9,750	6,114	45	16,453
Payable between 2 - 5 years	2,176	13,030	21,078	0	36,284
Payable between 6 - 10 years	2,720	600	1,756	0	5,076
Thereafter	1,491	6,954	10,039	0	18,484
At 31 March 2019	6,931	30,334	38,987	45	76,297

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

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 0.29% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical & Medical Legal Claims against NHS Board

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

Participation in CNORIS

The Board is required to participate in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and the above provision relates to its share of future settlements. Further details are given in Note 13(b).

Other (non-endowment)

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

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

		2018 £000	2019 £000
Provision recognising individual claims against the NHS Board as at 31 March	13a	52,517	28,100
Associated CNORIS receivable at 31 March	9	(49,727)	(28,013)
Provision recognising the NHS Board's liability from participating in the scheme	13a	39,631	38,987
Net Total Provision relating to CNORIS at 31 March		42,421	39,074

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;

2018		2019
£000		£000
18,474	Clinical and medical compensation payments	18,028
94	Employer's liability	95
10	Third party liability	10
50	Other - Girvan Groundwater Monitoring	50
18,628	Total Contingent Liabilities	18,183
14,325	Clinical and medical compensation payments	13,879
14,325	Total Contingent Assets	13,879

Note 15 Events After the End of the Reporting Year

There are no events after the end of the reporting period that would have a material effect on the accounts. The Accounting Officer authorised these financial statements for issue on 25 June 2019.

Note 16 Capital Commitments

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

2018 £000		2019 £000
220	University Hospital Crosshouse Static X-Ray Room 1	0
145	University Hospital Crosshouse Managed Lab Service	0
538	Tarryholm Drive, Irvine Project	0
0	Ayrshire Central Hospital National Forensic Service in Scotland	1,000
0	University Hospital Crosshouse General Surgery	410
0	Ayrshire Central Hospital CDU Boiler House	750
0	University Hospital Crosshouse BMS Vision Phase 2	230
903	Total Capital Commitments	2,390
750	Crosshouse Hospital Value Adding	0
140	Capital to Save on Revenue - Energy Schemes	0
700	University Hospital Ayr Biomass	0
258	University Hospital Crosshouse OMFS Treatment Room	0
95	University Hospital Crosshouse Switchboard Extension	0
221	GP Premises	0
0	University Hospital Crosshouse Cardiology	1,950
0	University Hospital Crosshouse Discharge Lounge	200
0	Biggart Sexual Assault Forensic Centre	310
0	Board wide Whole System Estate Plan	1,500
2,164	Total Authorised but not Contracted	3,960

Note 17 Commitments Under Operating Leases

Total future minimum payments under leases are stated below

2018 £000		2019 £000
10	Not later than one year	10
10	Later than one year, not later than 2 years	10
29	Later than two year, not later than five years	29
55	Later than five years	46
104	Total Land	95
6	Not later than one year	6
6	Total Buildings	6
99	Not later than one year	102
99	Total Other	102
99	Hire of equipment (including vehicles)	102
51	Other operating leases	51
150	Total Amounts charged to Operating Costs in year	153

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
190	Rentals due after five years	12	157
(84)	Less interest element		(70)
271	Total Finance Leases (Buildings)		252

Aggregate Rentals Receivable in the year

242	Total of finance & operating leases	207
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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:

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

2018		East Ayrshire Community Hospital	Ayrshire Maternity Unit	Woodland View	2019
£000		£000	£000	£000	£000
7,836	Rentals due within 1 year	2,037	1,796	4,073	7,906
7,937	Due within 1 to 2 years	2,139	1,873	4,075	8,087
23,810	Due within 2 to 5 years	4,693	5,445	12,243	22,381
101,363	Due after 5 years	950	24,116	69,945	95,011
140,946	Gross Minimum Lease Payments	9,819	33,230	90,336	133,385
	less				
(5,863)	Rentals due within 1 year	(1,080)	(1,338)	(3,258)	(5,676)
(5,607)	Due within 1 to 2 years	(843)	(1,308)	(3,195)	(5,346)
(14,741)	Due within 2 to 5 years	(994)	(3,619)	(9,160)	(13,773)
(46,369)	Due after 5 years	(32)	(11,912)	(30,220)	(42,164)
(72,580)	Interest Element	(2,949)	(18,177)	(45,833)	(66,959)
	giving				
1,973	Rentals due within 1 year	957	458	815	2,230
2,330	Due within 1 to 2 years	1,296	565	880	2,741
9,069	Due within 2 to 5 years	3,699	1,826	3,083	8,608
54,994	Due after 5 years	918	12,204	39,725	52,847
68,366	Present value of minimum lease payments	6,870	15,053	44,503	66,426
3,633	Rentals due within 1 year	1,680	378	1,701	3,759
3,723	Due within 1 to 2 years	1,722	388	1,744	3,854
11,451	Due within 2 to 5 years	5,296	1,192	5,362	11,850
42,105	Due after 5 years	2,295	4,887	30,385	37,567
60,912	Service elements due in future periods	10,993	6,845	39,192	57,030
129,278	Total Commitments	17,863	21,898	83,695	123,456

6,907	Interest charges	6,969
263	Contingent rents (included in Other charges)	203

Note 19 Pension Costs

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

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

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

(d)

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

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

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

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

(v) The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2018 were £768.7 million. Contributions collected in the year to 31 March 2019 will be published in October 2019.

NHS A&A's level of participation in the scheme is therefore 5.5% based on £42.122m as a proportion of £768.7m employer contributions paid in 2017-18.

	2018 £000	2019 £000
Pension cost charge for the year	41,653	42,122
Additional Costs arising from early retirement	541	543
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,645	1,550
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 - Note 3

There are no related financial statements requiring disclosure.

Note 22 Financial Instruments - Financial Assets and Liabilities

2018		Note	Loans and Receivables	Available for sale	2019
£000	Financial Assets - Consolidated		£000	£000	£000
9,592	Investments	10	8,456		8,456
13,838	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	15,466		15,466
427	Cash and cash equivalents	11	828		828
23,857	Financial Assets per Balance Sheet		24,750	0	24,750
	Financial Assets - Board				
14,111	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	15,448		15,448
142	Cash and cash equivalents	11	134		134
14,253	Financial Assets per Balance Sheet		15,582	0	15,582

2018		Note		2019
£000	Financial Liabilities - Consolidated			£000
271	Finance lease liabilities	12	252	252
68,366	PFI Liabilities	12	66,426	66,426
47,224	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	49,301	49,301
115,861	Financial Liabilities per Balance Sheet		115,979	115,979
	Financial Liabilities - Board			
271	Finance lease liabilities	12	252	252
68,366	PFI Liabilities	12	66,426	66,426
47,128	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	49,301	49,301
115,765	Financial Liabilities per Balance Sheet		115,979	115,979

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 2019				
PFI Liabilities	7,906	8,087	22,381	95,011
Finance lease liabilities	33	33	99	157
Total	7,939	8,120	22,480	95,168
at 31st March 2018				
PFI Liabilities	7,836	7,937	23,810	101,363
Finance lease liabilities	33	33	99	190
Total	7,869	7,970	23,909	101,553

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 2018-19 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 £98,000 and received payments from Endowments of £1,510,000 with a balance of £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 £175,154,000, and made payments to the IJB of £196,360,000. There is an outstanding balance of £1,621,000 at the year end, being the Board's share of the IJB surplus.

North Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £149,958,000, and made payments to the IJB of £172,638,000. There is an outstanding balance of £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 £90,504,000, and made payments to the IJB of £111,252,000. There is no outstanding balance at the year end.

Hub South West Scotland is a related party of NHS Ayrshire and Arran. During the year the Board made payments of £104,902 to Hub South West Scotland, with a further £275,798 outstanding year end.

NHS Ayrshire and Arran
Notes to the Accounts
for the year ended 31st March 2019



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.

	2018	Gross Inflows	Gross Outflows	2019
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	709	299	(409)	599

Note 26 a Consolidated Statement of Comprehensive Net Expenditure

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	Note	£000	£000	£000	£000	£000	£000	£000
411,737	Staff costs	3a	425,870	-	-	-	-	425,870
105,377	Independent Primary Care Services	3b	113,758	-	-	-	-	113,758
153,333	Drugs and medical supplies		154,049	-	-	-	-	154,049
630,677	Other health care expenditure		644,320	2,299	(1,608)	-	-	645,011
1,301,124	Gross expenditure for the year		1,337,997	2,299	(1,608)	-	-	1,338,688
(442,197)	Less: operating income	4	(469,839)	(1,510)	1,608	-	-	(469,741)
546	Associates and joint ventures accounted for on an equity basis		-	-	(1,067)	(472)	1,124	(415)
859,473	Net expenditure for the year		868,158	789	(1,067)	(472)	1,124	868,532
Other Comprehensive Net Expenditure								
(18,852)	Net gain on revaluation of Property Plant		(6,436)	-	-	-	-	(6,436)
470	Net gain on revaluation of available for sales financial assets		-	(291)	-	-	-	(291)
(18,382)	Other Comprehensive Expenditure		(6,436)	(291)	0	-	-	(6,727)
841,091	Comprehensive Net Expenditure		861,722	498	(1,067)	(472)	1,124	861,805

Note 26 b Consolidated Statement of Financial Position

2018 Group			2019 Board	2019 Endowment	2019 East Health & Social Care Partnership	2019 North Health & Social Care Partnership	2019 South Health & Social Care Partnership	2019 Group
£000			£000	£001	£003	£004	£005	£000
402,643	Property, plant and equipment	7a	401,759	-	-	-	-	401,759
	Financial assets:							
9,592	Available for sale financial assets	10a	-	8,456	-	-	-	8,456
1,678	Investments in associates and joint ventures		-	-	1,621	-	-	1,621
25,960	Trade and other receivables	9	24,199	-	-	-	-	24,199
439,873	Total non-current assets		425,958	8,456	1,621	-	-	436,035
4,597	Inventories	8	4,981	-	-	-	-	4,981
	Financial assets:							
40,984	Trade and other receivables	9	26,916	18	-	-	-	26,934
427	Cash and cash equivalents	11	134	694	-	-	-	828
46,008	Total current assets		32,031	712	-	-	-	32,743
485,881	Total assets		457,989	9,168	1,621	-	-	468,778
(32,524)	Provisions	13a	(16,453)	-	-	-	-	(16,453)
	Financial liabilities:							
(71,661)	Trade and other payables	12	(71,543)	(158)	-	-	-	(71,701)
(104,185)	Total current liabilities		(87,996)	(158)	-	-	-	(88,154)
381,696	Non-current assets less net current liabilities		369,993	9,010	1,621	-	-	380,624
(66,839)	Provisions	13a	(59,844)	-	-	-	-	(59,844)
	Financial liabilities:							
(67,580)	Trade and other payables	12	(65,284)	-	-	-	-	(65,284)
(2,904)	Liabilities in associate and joint ventures		-	-	-	(2,432)	-	(2,432)
(137,323)	Total non-current liabilities		(125,128)	-	-	(2,432)	-	(127,560)
244,373	Assets less liabilities		244,865	9,010	1,621	(2,432)	-	253,064
	Taxpayers' Equity							
130,905	General fund	SoCTE	137,874	-	-	-	-	137,874
105,186	Revaluation reserve	SoCTE	106,991	-	-	-	-	106,991
(1,226)	Other reserves - associates and joint ventu	SoCTE	-	-	1,621	(2,432)	-	(811)
9,508	Fund held on Trust	SoCTE	-	9,010	-	-	-	9,010
244,373	Total taxpayers' equity		244,865	9,010	1,621	(2,432)	-	253,064

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

2017 Group			2018 Board	2018 Endowment	2018 Intergroup Adjustment	2018 East Health & Social Care £000	2018 North Health & Social Care £000	2018 South Health & Social Care £000	2018 Group £000
£000			£000	£000	£000	£000	£000	£000	£000
395,829	Property, plant and equipment	7a	402,643	-	-	-	-	-	402,643
	Financial assets:								
10,086	Available for sale financial assets	10	-	9,592	-	-	-	-	9,592
943	Investments in associates and joint ventures		-	-	-	554	-	1,124	1,678
44,578	Trade and other receivables	9	25,960	-	-	-	-	-	25,960
451,436	Total non-current assets		428,603	9,592	-	554	-	1,124	439,873
4,090	Inventories	8	4,597	-	-	-	-	-	4,597
	Financial assets:								
14,318	Trade and other receivables	9	41,257	4	-277	-	-	-	40,984
540	Cash and cash equivalents	11	142	285	-	-	-	-	427
25	Assets classified as held for sale	7b	-	-	-	-	-	-	0
18,973	Total current assets		45,996	289	(277)	-	-	-	46,008
470,409	Total assets		474,599	9,881	(277)	554	-	1,124	485,881
(12,214)	Provisions	13a	(32,524)	-	-	-	-	-	(32,524)
	Financial liabilities:								
(54,076)	Trade and other payables	12	(71,565)	(373)	277	-	-	-	(71,661)
(66,290)	Total current liabilities		(104,089)	(373)	277	-	-	-	(104,185)
404,119	Non-current assets less net current liabilities		370,510	9,508	-	554	-	1,124	381,696
(82,409)	Provisions	13a	(66,839)	-	-	-	-	-	(66,839)
	Financial liabilities:								
(69,653)	Trade and other payables	12	(67,580)	-	-	-	-	-	(67,580)
(1,623)	Liabilities in associate and joint ventures		-	-	-	-	(2,904)	-	(2,904)
(153,685)	Total non-current liabilities		(134,419)	-	-	-	(2,904)	-	(137,323)
250,434	Assets less liabilities		236,091	9,508	-	554	(2,904)	1,124	244,373
	Taxpayers' Equity								
149,186	General fund	SoCTE	130,905	-	-	-	-	-	130,905
90,882	Revaluation reserve	SoCTE	105,186	-	-	-	-	-	105,186
-680	Other reserves - associates and joint ventu	SoCTE	-	-	-	554	(2,904)	1,124	(1,226)
11,046	Fund held on Trust	SoCTE	-	9,508	-	-	-	-	9,508
250,434	Total taxpayers' equity		236,091	9,508	0	554	(2,904)	1,124	244,373

Note 26 c. Consolidated Statement of Cash Flows

2018 Group		2019 Board	2019 Endowment	2019 East Health & Social Care	2019 North Health & Social Care	2019 South Health & Social Care	2019 Group
£000		£000	£000	£000	£000	£000	£000
(858,927)	Cash flows from operating activities	(868,158)	(789)	1,067	472	(1,124)	(868,532)
20,993	Net operating cost	(868,158)	(789)	1,067	472	(1,124)	(868,532)
6,926	Adjustments for non-cash transactions	16,046	-	(1,067)	(472)	1,124	15,631
(392)	Add back: interest payable recognised in net operating cost	6,969	-	-	-	-	6,969
13,443	Deduct: interest receivable recognised in net operating cost	-	(377)	-	-	-	(377)
(817,957)	Movements in working capital	(7,707)	(229)	-	-	-	(7,936)
	Net cash outflow from operating activities	(852,850)	(1,395)	-	-	-	(854,245)
	Cash flows from investing activities						
(8,791)	Purchase of property, plant and equipment	(8,795)	-	-	-	-	(8,795)
(583)	Investment Additions	-	(340)	-	-	-	(340)
331	Proceeds of disposal of property, plant and equipment	69	-	-	-	-	69
607	Receipts from sale of investments	-	1,767	-	-	-	1,767
392	Interest received	-	377	-	-	-	377
(8,044)	Net cash outflow from investing activities	(8,726)	1,804	-	-	-	(6,922)
	Cash flows from financing activities						
834,560	Funding	870,496	-	-	-	-	870,496
(1,746)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(1,959)	-	-	-	-	(1,959)
(6,899)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(6,969)	-	-	-	-	(6,969)
825,915	Net Financing	861,568					861,568
(113)	Net Increase in cash and cash equivalents in the period	(8)	409	-	-	-	401
540	Cash and cash equivalents at the beginning of the period	142	285	-	-	-	427
427	Cash and cash equivalents at the end of the period	134	694	-	-	-	828
	Reconciliation of net cash flow to movement in net debt/cash						
(113)	Increase / (decrease) in cash in year	(8)	409	409	409	409	401
540	Net debt / cash at 1 April	142	285	285	285	285	427
427	Net cash at 31 March	134	694	694	694	694	828

Note 27 Impact of Newly Adopted IFRS on the Financial Statements

Note 27 a. Adoption of IFRS 9

The Board has adopted IFRS 9 Financial Instruments for the first time in 2018-19. In accordance with HM Treasury's Financial Reporting Manual (FReM), the Board has adopted the modified transitional approach and therefore the 2017-18 financial statements are as previously reported. Under the modified approach, the cumulative impact of initial application of the standard is recognised at 1 April 2018 with no restatement of prior periods.

The Board has assessed the business models for managing financial assets and analysed their cash flow characteristics. The impact to the primary financial statements of applying the standard is set out below. The tables reconcile the carrying amounts of financial assets, from their previous measurement under IAS 39 to the new measurement under IFRS 9 as at 1 April 2018.

Note 27 b. Adoption of IFRS 15

The Board has adopted IFRS 15 Revenue from Contracts with Customers for the first time in 2018-19. The majority of the Board's transactions are unaffected by IFRS 15 however, where it is applied, this leads to a difference in the timing of recognising revenue. In accordance with HM Treasury's Financial Reporting Manual (FReM), the Board has adopted the modified transitional approach and therefore the 2017-18 financial statements are as previously reported. Under the modified approach, the cumulative impact of initial application of the standard is recognised at 1 April 2018 with no restatement of prior periods.

There is no impact to the primary financial statements of applying the standard.

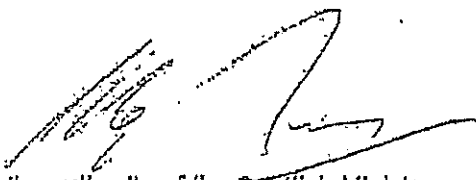
Direction by the Scottish Ministers



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