Greater Glasgow NHS Board

Board
Tuesday 27 June 2006

Director of Finance **Board Paper No. 06/28**

STATEMENT OF ACCOUNTS FOR 2005/06

RECOMMENDATIONS:

The NHS Board is asked to:

1. adopt, and approve for submission to the Scottish Executive Health Department, the Statement of Accounts for the financial year ended 31 March 2006.

2. authorise:

   (i) the Chief Executive to sign the Directors' Report.

   (ii) the Chairman and Director of Finance to sign the Statement of Heath Board Members' responsibilities in respect of the Accounts.

   (iii) The Chief Executive to sign the Statement of Internal Control in respect of the Accounts

   (iv) The Chief Executive and Director of Finance to sign the Balance Sheet

BACKGROUND

1. The External Auditors have completed their audit of the Accounts and have issued their Final Report to Board Members which confirms that their audit certificate on the financial statements for the year ended 31 March 2006 will be unqualified in respect of their true and fair opinion, and in respect of their regularity opinion.
   The External Auditors' Report is the subject of a separate paper to the Board

2. At its meeting on 20 June 2006 the NHS Board Audit Committee considered the Statement of Accounts of the NHS Board. The decision of the Audit Committee was that the Statement of Accounts should be presented to the NHS Board at its meeting on 27 June 2006 with a recommendation that the accounts be adopted by the NHS Board and submitted to the Scottish Executive Health Department.

STATEMENT OF ACCOUNTS

A full Statement of Accounts for the financial year ended 31 March 2006 is attached to this paper, together with a commentary on the main elements of the statement.

The Statement includes a Directors' Report in a format specified by the Scottish Executive Health Department and a Statement of Accounting Policies. The Accounts comprise four principal forms namely:

a. Operating Cost Statement
b. Statement of Recognised Gains and Losses
c. Balance Sheet, and
d. Cash Flow Statement

These forms are support by notes which provide analysis of the principal forms.

NHS
Greater
Glasgow

NHS Greater Glasgow
Annual Accounts
for the Year Ended 31 March 2006

NHS Greater Glasgow

Annual Accounts for the year ended 31 March 2006

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DIRECTORS' REPORT

Any references in these accounts to NHS Greater Glasgow or Greater Glasgow NHS Board are taken to mean Greater Glasgow Health Board.

Accounting convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the FReM issued by HM Treasury. The accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced as an appendix to these accounts.

Accounting policies

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

From 1 April 2005, NHS Greater Glasgow has complied with the Financial Reporting Manual (FReM) with the Operating Cost Statement replacing an Income and Expenditure Account and the General Fund replacing capital and revenue reserves on the Balance Sheet, as previously directed in the Resource Accounting Manual (RAM).

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. For the financial years 2001/02 to 2005/06 the Auditor General appointed PricewaterhouseCoopers LLP to undertake the audit of NHS Greater Glasgow. 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, as set out above.

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.

The members of the NHS Board who served during the year from 1 April 2005 to 31 March 2006 were as follows:

Non-Executive Members

Prof Sir J Arbuthnott	Chairman
Mr J Bannon MBE	Non-Executive Director
Prof D H Barlow	Non-Executive Director
Mr R Cleland	Non-Executive Director
Cllr J Coleman	Glasgow City Council
Cllr D Collins	East Renfrewshire Council

Ms R Dhir MBE	Non-Executive Director
Cllr R Duncan	East Dunbartonshire Council
Mr W Goudie (to 30/09/05)	Non-Executive Director
Dr R Groden	Non-Executive Director
Mr P Hamilton	Non-Executive Director
Cllr J Handibode	South Lanarkshire Council
Mrs S Kuenssberg CBE	Non-Executive Director
Ms G Leslie	Non-Executive Director
Mr G McLaughlin	Non-Executive Director
Mrs J Murray	Non-Executive Director
Mrs R Nijjar	Non-Executive Director
Miss A Paul	Non-Executive Director
Mr A O Robertson OBE	Non-Executive Director
Mr D Sime (from 1/10/05)	Non-Executive Director
Mrs E Smith	Non-Executive Director
Mrs A Stewart MBE	Non-Executive Director
Cllr A White	West Dunbartonshire Council

Executive Members

Mr T Divers	Chief Executive
Dr H Burns (to 31/08/05)	Director of Public Health
Dr B Cowan	Medical Director
Mrs R Crocket	Nurse Director
Mr D Griffin (from 01/01/06)	Director of Finance
Mr T Davison (to 30/04/05)	Chief Executive North Division
Mr R Calderwood (to 31/12/05)	Chief Executive South Division
Mr J Best (to 30/11/05)	Chief Executive Yorkhill Division

The board members' responsibilities in relation to the accounts are set out in a statement following this report.

Board members' and senior managers' interests

The following is a record of Board Members' and Senior Managers' interests in organisations which have contracts with the Board.

Dr R Groden	Non Executive Director as a General Practitioner
Cllr J Coleman	Non Executive Director as a member of Glasgow City Council
Cllr D Collins	Non Executive Director as a member of East Renfrewshire Council
Cllr R Duncan	Non Executive Director as a member of East Dunbartonshire Council
Cllr J Handibode	Non Executive Director as a member of South Lanarkshire Council
Cllr A White	Non Executive Director as a member of West Dunbartonshire Council
Mrs E Smith	Non Executive Director as a member of Scottish Enterprise Glasgow
Ms G Leslie	Non Executive Director as an Ophthalmic Contractor

Pension Liabilities

The accounting policy note for pensions is provided in Note 1, and disclosure of the costs is shown within Note 26 and the remuneration report.

Payment policy

The board endeavours to comply with the principles of the CBI prompt payment code by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. The payment statistics (relating only to non-NHS suppliers) were as follows:-

	2005/06	2004/05
Average period of credit taken	37 Days	31 Days
Percentage of invoices by volume paid within 30 days	70%	61%
Percentage of invoices by value paid within 30 days	76%	76%

Corporate governance

The board meets regularly during the year to progress the business of the Health Board. The Scottish Health Plan established that the following standard committees should exist at unified NHS Board level:

- Clinical Governance
- Audit
- Staff Governance
- Ethics; and
- Discipline (for primary care contractors)

Clinical Governance Committee

The Clinical Governance Committee of the Health board has two key roles:

- Systems assurance – to ensure that clinical governance mechanisms are in place and effective throughout the local NHS System; and
- Public health governance – to ensure that the principles and standards of clinical governance are applied to the health improvement activities of the NHS Board.

The membership of the Clinical Governance Committee comprises Prof D Barlow, Mr R Cleland, Prof Sir J Arbuthnott, Mr J Bannon MBE, Mrs S Kuenssberg CBE, Ms G Leslie, Mrs J Murray, Mr D Sime and Mrs A Stewart MBE. The committee met 3 times in 2005/06 and was chaired by Prof D Barlow.

Audit Committee

The remit of the Audit Committee is to ensure that NHS Greater Glasgow acts within the law, regulations and code of conduct applicable to it and that an effective system of internal control is maintained.

The membership of the Audit Committee comprises Mrs E Smith, Mr J Bannon MBE (to 31 December 2005), Cllr D Collins (to 31 December 2005), Cllr R Duncan (from 1 January 2006), Dr R Groden, Mr P Hamilton, Cllr J Handibode, Mrs S Kuenssberg CBE (from 1January 2006), Mr A O Robertson OBE (from 1 January 2006), Mr D Sime (from 1 January 2006), and Mrs A Stewart MBE. The committee met 7 times in 2005/06 and was chaired by Mrs E Smith.

Staff Governance Committee

The purpose of the Staff Governance Committee is to provide assurance to the Board that NHS Greater Glasgow meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard.

In particular, the Committee will seek to ensure that staff governance mechanisms are in place that take responsibility for performance against the Staff Governance Standard and are accountable for progress towards achievement of the standard.

The membership of the Staff Governance Committee comprises Mr R Cleland, Mr D Sime, Prof Sir J Arbuthnott, Mr A Robertson OBE, Ms R Dhir MBE, Mrs S Kuenssberg CBE and Mrs E Smith. The committee met twice in 2005/06 and was jointly chaired by Mr R Cleland and Mr D Sime.

Research Ethics Committee

The principal function of the committee is to ensure that the Governance Arrangements for NHS Research Ethics Committees (GAFREC) are being applied and met by all the local Research Ethics Committees in NHS Greater Glasgow.

The membership of the Research Ethics Committee comprises Prof D Barlow, Mr R Cleland, Dr R Groden, Dr B N Cowan and Mrs A Stewart MBE. The committee met once in 2005/06 and was chaired by Prof D Barlow.

Area Clinical Forum

The role of the Area Clinical Forum is to represent the multi-professional views of the advisory structures for medical, dental, nursing and midwifery, pharmaceutical, optometric and professions allied to medicine to NHS Greater Glasgow ensuring the involvement of all professions across the local NHS system in a decision making process.

The membership of the Area Clinical Forum comprises Mr A J McMahon, Dr C R Bell, Mr P Bennington, Mr D Thomson, Ms G Leslie, Ms L Love, Dr R Groden, Dr D Colville, Mr E Black, Mr H Rollason, Mr T Mohammed, Ms H McKenzie and Ms A Duncan. The committee met 7 times in 2005/06 and was chaired by Ms G Leslie.

Human Resources

During the past year, a new organisational structure has been implemented progressively across NHS Greater Glasgow , then latterly within the Clyde area of the former ACHB, to integrate this within an expanded NHSGGC Health Board.

This involved an extensive assessment process, which resulted in the appointment of Directors and managers to the new Acute Directorates, the Community Health and Care/Community Health Partnerships, Mental Health Parnerships and Corporate functions. This is being supported by an extensive process of organisational development, performance management and personal development planning linked to the organisational objectives and individual service needs and requirements.

During the year the key elements of the pay modernisation agenda continued to be implemented: the New General Medical Services Contract, the Consultant Contract and Agenda for Change. The Pay Modernisation Board approved the local Pay Modernisation Benefits Delivery Plan, which seeks to monitor the way in which the new contracts are supporting service change.

The Staff Governance Committee and Area Partnership Forum were reconstituted and a system wide Staff Governance Action Plan put in place. This sets out a programme of activities which the NHS Board will take forward based on the five strands of the Staff Governance Standard. Progress will be reported on a continuous basis to the Staff Governance Committee and Area Partnership Forum.

The Staff Governance Action Plan sets out the Board's Communications Strategy. In addition to the 'Staff News', three additional briefings were introduced. These were the 'Core Brief', covering the main business of the board, the 'Transition Brief' giving updates on progress with the transition to a new organisational structure, and the 'Partnership Brief' communicating the work of the Area Partnership Forum.

The Board remains committed to promoting a safe and healthy working environment and is currently establishing a single system Health & Safety Forum which will contribute to the development of policy in this important area. Significant policy development during the year included the introduction of a comprehensive policy setting out the board's approach to dealing with violence and aggression against staff by patients, visitors and others.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES AND REVIEW OF THE YEAR

The NHS Board was established in 1974 with responsibility for commissioning health care services for the residents of Greater Glasgow, a population of almost 970,000.

In December 2000, the Scottish Executive published "Our National Health: A Plan for Action, A Plan for Change" (the Scottish Health Plan), which recognised the need to simplify, improve and rationalise local decision-making arrangements. As a result, from 30 September 2001, fifteen single Unified NHS Boards were established. In the case of the twelve mainland Board areas, these new Unified NHS Boards replaced the separate structures of NHS Boards and Trusts.

These new NHS Boards form a local health system, with single governing Boards responsible for improving the health of their local populations and delivering the healthcare they require. The overall purpose of the unified NHS Board is to ensure the efficient, effective and accountable governance of the local NHS systems and to provide strategic leadership and direction for the system as a whole.

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

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

During the year to 31 March 2006, NHS Greater Glasgow (NHSGG) moved from a transitional organisational structure of four operating Divisions, replacing these with a single unified structure embracing one Acute Division, nine Community Health Partnerships (CHPs), and other NHS Partnerships covering Mental Health, Learning Disabilities, Addictions and Homelessness services. With the exception of three CHPs which are responsible, at this stage, for managing NHS services only, all other partnerships are joint organisations formed with Local Authority partners, responsible for managing jointly provided services.

During the latter part of the year, SEHD entered into discussion with NHSGG regarding the transfer of responsibility for managing services within the Clyde area of the former Argyll and Clyde NHS Board to NHSGG. This has now taken place, with transfer of responsibility on 1 April 2006, NHSGG is now actively working on the integration of "Clyde" services within an expanded organisational structure for the enlarged Health Board, which has been renamed "NHS Greater Glasgow and Clyde" (NHSGG&C).

Major service initiatives during the year included the achievement of the national target to reduce waiting times for in-patients/day cases and out-patients to below twenty-six weeks by December 2005. In addition, the Board was able to manage implementation of the new GMS contract, including the introduction of a range of enhanced services, within available resources.

Major capital projects taken forward during the year included the construction of Phase 2 of the Beatson development at Gartnavel (scheduled to complete during 2006/07) and the agreement of final contracts for the provision of a local forensic psychiatry unit at Stobhill and a new Mental Health in-patient hospital at Gartnavel. The latter two hospital buildings will be provided under private finance arrangements.

In addition, the project to establish a new TSSU for NHSGG&C progressed to its final stage and progress was made with a number of projects aimed at implementation of NHSGGC's laboratory services strategy. Total investment in medical equipment exceeded £10m during the year.

During the year, the disposal of the former hospital site at Belvidere Hospital was concluded, generating disposal proceeds of £7.5m over two years. Good progress was also made in taking forward the development of joint initiatives with East Dunbartonshire Council, the Kirkintilloch and Lennoxtown Initiatives. It is anticipated that these will begin to generate significant capital receipts, starting in 2006/07, which will enable both partnerships to secure the achievement of their objectives for community regeneration.

Financial Performance and Position

The Scottish Executive sets 3 budget limits at a health board level on an annual basis. These limits are:

- Revenue resource limit – a resource budget for ongoing operations;
- Capital resource limit – a resource budget for net capital investment; and
- Cash requirement – a financing requirement to fund the cash consequences of the ongoing operations and net capital investment.

Health boards are expected to contain their net expenditure within these limits, and will report on any variation from the limits as set.

The Board's performance against the financial targets is as follows:

		Limit as set by SEHD	Actual Outturn	Variance (Over)/Under
		£'000	£'000	£'000
1	Revenue Resource limit	1,370,302	1,358,018	12,284
2	Capital Resource Limit	69,460	69,337	123
3	Cash Requirement	1,323,400	1,323,403	(3)

During the year, the provision for bad and doubtful debts increased from £0.458m as at 1 April 2005, to £1.080m as at 31 March 2006.

As at the year end the Board had legal obligations arising from clinical and medical negligence claims and also other non-medical claims; details are shown in Note 17.

Of the Board's capital expenditure of £69.3m above, and shown in Notes 10-12, the largest capital project was the construction of the new Beatson Oncology Centre at Gartnavel General Hospital; expenditure during the year on that project amounted to £28.9m.

Details of PFI/PPP projects are shown in Note 25.

Post balance sheet events are detailed in Note 22.

LOCAL DELIVERY PLAN 2006/07

In December 2005 the Scottish Executive issued guidance to Boards requiring them to submit Local Delivery Plans (LDPs). LDPs require to address 28 key targets structured around four main objectives, health improvement, efficiency, access and treatment or HEAT. This new system replaces the former Performance Assessment Framework The following table explains the link between PAF and the new LDP.

NHS Scotland Objective 1:

Health Improvement for the People of Scotland – Improving Life Expectancy and Healthy Life Expectancy

2005/06 PAF Indicator No.	Performance Indicator	2006/07 HEAT Target No.	Key Performance Targets
1.14.01	The ratio of the 20% of the population living in the most deprived postcode sectors to the 20% living in the most affluent postcode sectors is known as the "Carstairs score" . (These have been chosen on the basis that they are indicators of inequalities in health and do not necessarily reflect the top priorities for tackling health inequalities): percentage of pregnant women who smoke at the time of their first antenatal visit; percentage of 5 year olds with dental cavities; percentage of 16 to 64 year olds who are current smokers; age standardised mortality rate from CHD in people under 75; life expectancy at birth.	H.01T	Reduce health inequalities by increasing the rate of improvement for the most deprived communities by 15% across a range of indicators including; CHD, cancer, adult smoking, smoking during pregnancy, teenage pregnancy and suicides in young people: target date 2008.
1.08.02	Proportion of adults (16-64) smoking.	H.02T	Reduce rate of smoking among adults (16-64 age group) in all social classes to 29%: target date 2010.
1.06.02	Percentage of target population vaccinated for the MMR immunisation programmes	H.05T	95% uptake target for all childhood vaccinations (ongoing).
1.03.02	Progress being made with local Suicide Prevention action planning as part of Joint Health Improvement Plans and Community Planning activity towards national suicide reduction target of 20% by 2013.	H.06T	Reduce suicide rate between 2002 and 2013 by 20%.

NHS Scotland Objective 2:

Efficiency and Governance Improvements – Continually Improve the Efficiency and Effectiveness of the NHS

2005/06 PAF Indicator No.	Performance Indicator	2006/07 HEAT Target No.	Key Performance Targets
7.04.01	NHS Boards to; operate within their revenue resource limit, operate within their capital resource limit, meet their cash requirement	E.01T	NHS boards to operate within their revenue resource limit; operate within their capital resource limit; meet their cash requirement.
6.01.05	Days lost / member of staff as a result of sickness or absence	E.02T	Sickness Absence Rate: 4% by 31 March 2008.

NHS Scotland Objective 3:

Access to Services – Recognising Patients Need for Quicker and Easier Use of NHS Services

2005/06 PAF Indicator No.	Performance Indicator	2006/07 HEAT Target No.	Key Performance Targets
2.06.03	Progress towards the target that anyone will have guaranteed access to a GP, nurse or other healthcare professional within 48 hours	A.01T	Ensure that anyone contacting their GP surgery has guaranteed access to a GP, nurse or other health care professional within 48 hours from April 2004.
2.07.01	Percentage of the population aged 0-17 registered with an NHS dentist	A.02T	60% of 5 year old children (primary 1) will have no signs of dental disease by 2010
4.08.02	Patients waiting more than 6 months for Inpatient or daycase treatment: Progress to December 2005 target	A.03T	No patient with a guarantee should wait longer than 6 months for inpatient or day case treatment from 31 December 2005, reducing to 18 weeks from 31 December 2007.
4.08.01	Patients waiting longer than 6 months for a new outpatient appointment: Progress to 2006 target	A.04T	By the end of 2005, no patient will wait longer than 6 months from GP referral to an outpatient appointment, reducing to 18 weeks from 31 December 2007.
4.09.01	Arrival to completion of treatment: trolley cases (Percentage seen within 2 hours)	A.05T	By end 2007 no patient will wait more than 4 hours from arrival

4.09.02	Arrival to completion of treatment: walking wounded (Percentage seen within 2.5 hours)		to discharge or transfer for accident and emergency treatment.
4.10.03	Percentage of patients with urgent referral for breast cancer waiting more than one month for treatment following diagnosis (where clinically appropriate)	A.08T	Women who have breast cancer and need urgent treatment will get it within one month where appropriate.
4.10.04	Percentage of patients with urgent referral for all cancers waiting more than 2 months for treatment following diagnosis (where clinically appropriate)	A.09T	By 31 December 2005 no patient urgently referred for cancer treatment should wait more than 2 months.
4.10.01	Percentage patients waiting more than the 8 week maximum for angiography after seeing a specialist	A.10T	From June 30 2004 the maximum wait from angiography to surgery or angioplasty will be 18 weeks.
4.10.02	Percentage of patients waiting more than the 18 week maximum wait for surgery or angioplasty following angiography		

NHS Scotland Objective 4:

Treatment Appropriate to Individuals: Ensure Patients Receive High Quality Services that Meet Their Needs

2005/06 PAF Indicator No.	Performance Indicator	2006/07 HEAT Target No.	Key Performance Targets
2.08.01	Percentage of patients experiencing a delay in discharge where the delay was 6 weeks or more	T.01T	We will reduce the number of people waiting to be discharged from hospital into a more appropriate care setting by 20% year on year between 2005 and the end of 2008, cutting to a minimum the number of people waiting more than 6 weeks to be discharged.
2.04.02	Percentage of target population screened for cervical cancer (20-59)	T.03T	Cervical screening target 80%, ongoing

Through their LDPs, Boards are required to commit to achieving a target and also to a specific trajectory of intermediate milestones accompanied by an assessment of the main risks. The LDP promises to be a more rigorous process of accountability for Boards involving where appropriate monthly scrutiny of Board performance based on a national database, with a requirement for exception reporting in cases of divergence from planned performance. This new approach will be overseen by SEHD through the appointment of a new Director of Delivery and the formation of a dedicated Delivery Group.

For 2006/07 LDP's were submitted separately for NHSGG and NHSAC Boards. SEHD has confirmed that for this first year these will be subject to separate reporting of performance as an interim step to preparing a single integrated LDP for the new enlarged Board from 2007/08. SEHD are working with NHSGG&C and NHSH to assist this process to disaggregate the NHSAC's original LDP into its two constituent parts with view to the integration with each of the new Boards by September 2006.

In April the Executive signed off the Board's LDP for NHSGG.

A summary of current progress against a sample of key targets is provided below.

- **Waiting times – inpatient, day cases, most cancers - and delayed discharges** where the Board has already made outstanding progress with considerable improvements for patients and where the challenge is one of sustaining current gains and improving further towards new targets.

Target 05/06	Performance	Target 06/07	Plans
No patient with guarantee waiting over 26 weeks for inpatient/day case treatment by December 2005	Target achieved	No patient with guarantee waiting over 18 weeks for inpatient/day case treatment by December 2006	Ensure operation of effective service models to optimise throughput, adopting service redesign where necessary and making further investment to improve capacity
No patient will wait longer than 6 months from GP referral to outpatient appointment by December 2006	Target achieved	No patient will wait longer than 18 weeks from GP referral to outpatient appointment by December 2007	Ensure operation of effective service models to optimise throughput, adopting service redesign where necessary and making further investment to improve capacity
No patient urgently referred for cancer treatment should wait more than 2 months from primary care referral	At June 2005 Breast 93% Colorectal 46% Lung 75%	No patient urgently referred for cancer treatment should wait more than 2 months from primary care referral	Further redesign: For colorectal, planned development of diagnostic services and introduction of specialised symptom based referral and one stop service For lung, the development and improvement of the operation of the care pathway For General, increase capacity for: • Diagnostics • Outpatients and screening • Patient tracking • IT referral systems
Reduce the number of people waiting over 6 weeks to be discharged by 20%	Target achieved	Reduce the number of people waiting over 6 weeks to be discharged by 50%	Review effectiveness of flexible home care solutions, establish consistent approach on discharge across Board, develop care home capacity, and review hospital screening services as part of continuing holistic approach

- **Absence** where the Board's present performance is below target and requires improvement to achieve the 2008 target.

Target 05/06	Performance	Target 06/07	Plans
N/A	5.6%	4.8%	Establishing common absence management policies and protocols, reviewing underlying causes, developing training and staff support and create common reporting system

- **Smoking** where the Executive recently raised the cessation target. This is an example of a target where the Board has limited influence and where other factors such as the national smoking ban may have a great influence. The Board also recognises the difficulties it faces in trying to change the behaviours of long-term smokers many of whom stay in the city's more deprived areas.

Target 05/06	Performance	Target 06/07	Plans
29%	31.5% 2004 latest reported	26.4%	Increase number of smoking cessation staff and groups, roll out acute hospital pilot, extend maternity service, and investigate new services targeted on mental health and deprived populations

- **Consultant productivity**, which is a new measure and where the initial challenge is to increase understanding of the measure itself as a preliminary stage to managing improvement.

Target 05/06	Performance	Target 06/07	Plans
N/A	N/A	1% improvement on 2005/06	Review Executive methodology, explore opportunities to improve data quality and introduce new initiatives to improve performance

Within the Board action is underway to ensure that the Board's performance against these national targets is being driven forward and is subject to close and regular progress review. It is proposed to extend this practice to embrace a wider set of performance measures to more fully reflect the range of NHSGGC responsibilities and embed this approach at all levels in the organisation. The introduction of this comprehensive approach to performance management will be a key task for the Board during 2006/07.

Sustainability and Environmental Reporting

NHSGG, in responding to HDL (2006) 21 and other requirements, aims to follow clause 4.2 of *BS EN ISO 14001:1996 Environmental Management Systems - Specification with Guidance for use* which states:

The Board shall define the organisation's environmental policy and ensure that it:

a. Is appropriate to the nature, scale and environmental impacts of its activities, products and services

b. Includes a commitment to continual improvement and prevention of pollution

c. Includes a commitment to comply with relevant environmental legislation and regulations and with other requirements to which the organisation subscribes

d. Provides the framework for setting and reviewing environmental objectives and targets

e. Is documented, implemented, maintained and communicated to all employees

f. Is available to the public

An Environmental Policy is in draft form (incorporating the requirements above), and Corporate Greencode is being used as the Environmental Management System to monitor, review and improve NHSGG environmental performance and sustainability.

REMUNERATION REPORT

Remuneration

Remuneration of Board Members and Senior Employees is determined in line with direction issued by the Scottish Executive.

Remuneration Sub-Committee

The Remuneration Sub-Committee (albeit as a sub-committee of the Staff Governance Committee) comprises the Board Chairman and Non-Executive Directors of the Board. The Chief Executive and the Director of Human Resources attended meetings of the Remuneration Sub-Committee as advisors and assessors and to provide administrative support.

Performance Appraisal

Performance appraisals for Executive Members and senior managers on executive pay arrangements are carried out in line with the guidance from the Scottish Executive.

REMUNERATION REPORT (continued)

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION - CURRENT YEAR

Remuneration of:		Salary (Bands of £5,000)**	Real increase in pension at age 60 (Bands of £5,000)	Total accrued pension at age 60 at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2005	Cash Equivalent Transfer Value (CETV) at 31 March 2006	Real increase in CETV in year	Benefits in kind
					£'000	£'000	£'000	£'000
Executive Members								
T Divers	Chief Executive	145 - 150	5-10	45-50	712	1,000	99	-
H Burns	Director of Public Health (to 31/08/05)	90 - 95	Transferred to SE, therefore no disclosure re pensions					-
B Cowan	Medical Director	145 - 150	0 - 5	30 - 35	502	631	44	3
R Crocket	Nurse Director	115 - 120	0 - 5	20 - 25	336	469	35	6
D Griffin	Acting Director of Finance (to 31/12/05) Director of Finance (from 01/01/06)	115 - 120	0 - 5	15 - 20	219	279	26	5
T Davison	Chief Exec North Division (to 30/04/05)	10 - 15	Pension information not available at year end					-
R Calderwood	Chief Exec South Division (to 31/12/05)	95 - 100	0 - 5	50 - 55	436	1,012	26	10
J Best	Chief Exec Yorkhill Division (to 30/11/05)	60 - 65	0 - 5	20 - 25	231	290	10	3
Non Executive Members								
J Arbuthnott	The Chair	35 - 40	-	-	-	-	-	-
J Bannon		5 - 10	-	-	-	-	-	-
D Barlow		5 - 10	-	-	-	-	-	-
R Cleland		20 - 25	-	-	-	-	-	-
J Coleman		5 - 10	-	-	-	-	-	-
D Collins		5 - 10	-	-	-	-	-	-
R Dhir		5 - 10	-	-	-	-	-	-
R Duncan		5 - 10	-	-	-	-	-	-
W Goudie (to 30/09/05)		0 - 5	-	-	-	-	-	-
R Groden		5 - 10	-	-	-	-	-	-
P Hamilton		5 - 10	-	-	-	-	-	-
J Handibode		5 - 10	-	-	-	-	-	-
S Kuenssberg		15 - 20	-	-	-	-	-	-
G Leslie		5 - 10	-	-	-	-	-	-
G Mclaughlin		5 - 10	-	-	-	-	-	-
J Murray		5 - 10	-	-	-	-	-	-
R Nijjar		5 - 10	-	-	-	-	-	-
A Paul		5 - 10	-	-	-	-	-	-
A O Robertson		20 - 25	-	-	-	-	-	-
D Sime (from 1/10/05)		0 - 5	-	-	-	-	-	-
E Smith		20 - 25	-	-	-	-	-	-
A Stewart		5 - 10	-	-	-	-	-	-
A White		5 - 10	-	-	-	-	-	-
Other Senior Employees								
C Renfrew	Director for Planning & Community Care	105 - 110	0 - 5	20 - 25	266	329	12	-
E Borland	Acting Director of Health Promotion	75 - 80	0 - 5	20 - 25	341	430	19	-
I Reid	Director of Human Resources	120 - 125	0 - 5	30 - 35	195	507	23	-
					3,238	**4,947**	**294**	**27**

REMUNERATION REPORT (continued)

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION - PRIOR YEAR

Remuneration of:		Salary (Bands of £5,000)**	Real increase in pension at age 60 (Bands of £5,000)	Total accrued pension at age 60 at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2004	Cash Equivalent Transfer Value (CETV) at 31 March 2005	Real increase in CETV in year	Benefits in kind
					£'000	£'000	£'000	£'000
Executive Members								
T Divers	Chief Executive	125 - 130	0 - 5	40 - 45	623	712	65	-
H Burns	Director of Public Health	170 - 175	5 - 10	25 - 30	410	515	85	-
W Hull	Director of Finance (to Feb 2005)	85 - 90	0 - 5	0 - 5	47	61	8	3
T Davison	Chief Exec North Glasgow Division	140 - 145	0 - 5	20 - 25	282	321	23	-
R Calderwood	Chief Exec South Glasgow Division	130 - 135	0 - 5	25 - 30	390	436	28	-
J Best	Chief Exec Yorkhill Division	95 - 100	0 - 5	15 - 20	206	231	14	-
Non Executive Members								
J Arbuthnott	The Chair	35 - 40	-	-	-	-	-	-
F Angell (to 31/03/05)		5 - 10	-	-	-	-	-	-
J Bannon		5 - 10	-	-	-	-	-	-
R Cleland		20 - 25	-	-	-	-	-	-
J Coleman		5 - 10	-	-	-	-	-	-
D Collins		5 - 10	-	-	-	-	-	-
R Dhir		5 - 10	-	-	-	-	-	-
R Duncan		5 - 10	-	-	-	-	-	-
W Goudie		5 - 10	-	-	-	-	-	-
P Hamilton		5 - 10	-	-	-	-	-	-
J Handibode		5 - 10	-	-	-	-	-	-
S Kuenssberg		20 - 25	-	-	-	-	-	-
G McLaughlin		5 - 10	-	-	-	-	-	`
J Murray		5 - 10	-	-	-	-	-	-
R Nijjar		5 - 10	-	-	-	-	-	-
A Paul		5 - 10	-	-	-	-	-	-
E Smith		20 - 25	-	-	-	-	-	-
A Stewart		5 - 10	-	-	-	-	-	-
A White		5 - 10	-	-	-	-	-	-
A O Robertson		20 - 25	-	-	-	-	-	-
R Groden		5 - 10	-	-	-	-	-	-
D Barlow		0 - 5	-	-	-	-	-	-
Other Senior Employees								
C Renfrew	Director for Planning & Community Care	100 - 105	0 - 5	20 - 25	219	266	36	-
E Borland	Acting Director of Health Promotion	70 - 75	0 - 5	20 - 25	285	341	46	-
D Griffin	Acting Director of Finance (from Feb 2005)	15 - 20	0 - 5	10 - 15	185	219	23	-
I Reid	Acting Chief Exec PCD/Director of HR	115 - 120	0 - 5	10 - 15	160	195	25	-
					2,807	**3,297**	**353**	**3**

** Salary figures shown in both current and prior year include employer's superannuation cost

Signed

T A Divers
Chief Executive
Greater Glasgow Health Board **27 June 2006**

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE HEALTH BOARD

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Executive has appointed me as Accountable Officer of Greater Glasgow Health Board.

This designation carries with it, responsibility for the propriety and regularity of financial transactions under my control and for the economical, efficient and effective use of resources placed at the Board's disposal.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of November 2001.

Signed

T A Divers
Chief Executive
Greater Glasgow Health Board **27 June 2006**

STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 2006 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.
- make judgements and estimates that are reasonable and prudent.
- state where applicable accounting standards have not been followed where the effect of the departure is material.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Executive Health Department. They are also responsible for safeguarding the assets of the Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

D Griffin
Director of Finance

Prof Sir J Arbuthnott
Chairman **27 June 2006**

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am supported in discharging these responsibilities by a sound corporate and management structure, underpinned by a NHS Board consisting of both executive and non executive members. Risk management and internal control are considered by the NHS Board and the Audit Committee and are incorporated into the corporate planning and decision making processes. A Risk Management Strategy for NHS Greater Glasgow was in place throughout the year.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. Its main purpose is to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with guidance from Scottish Executive Finance.

Risk and Control Framework

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

NHS Greater Glasgow aims to provide high quality and safe services to the public it serves in an environment which is also safe for the staff it employs or contracts with to provide services. In fulfilling this aim, NHS Greater Glasgow has a robust and effective Strategy for the management of risk.

The strategy is predicated on the belief that Risk Management is:

- An important activity to ensure the health / well being of patients, staff and visitors.
- An inclusive and integrative process covering all risks, set against a common set of principles.
- Best implemented where good practice is acknowledged and built upon.
- A major corporate responsibility requiring strong leadership and regular review.

We believe that the maintenance of high standards of health, safety and welfare within a risk management framework is fundamental to the provision of high standards of health care. Our risk management strategy affirms NHS Greater Glasgow's commitment to improve its capability to manage risk. By tackling risk in a systematic way we can drive continuous improvement and have a positive impact on the quality of care, wellbeing of our staff and the efficiency of NHS Greater Glasgow. This strategy also formalises risk management responsibilities and sets out how the public may be assured that our risks are managed effectively and, accordingly, represents a major element of NHS Greater Glasgow's healthcare governance arrangements.

NHS Greater Glasgow recognises the value of the risk management arrangements which operated in recent years within each of the former Trusts and Divisions. Building on this existing framework, NHS Greater Glasgow has established a Risk Management Steering Group (RMSG) to develop a common set of standards and principles to underpin risk management across the single system. The RMSG operates under the joint chairmanship of the Medical Director (as Executive lead for Clinical Risk) and Director of Human Resources (as Executive Lead for non-Clinical Risk.) The RMSG also has a role in reviewing the effectiveness of the risk management arrangements on behalf of the Chief Executive. Specifically the RMSG has:

- overseen the development of a single system risk management strategy, which has been endorsed by the Audit Committee and received Board approval. The strategy is currently under review to reflect the change in organisational arrangements following the formation of NHS Greater Glasgow and Clyde.

- developed a plan for the implementation of the strategy across all operating units and corporate functions within NHS Greater Glasgow.

- developed proposals for the implementation of a single methodology for identifying, assessing and reporting on clinical and non-clinical risk.

- developed proposals to update and refresh the corporate risk register.

- during the implementation of the single system arrangements the members of the Group have continued to operate the arrangements which existed within the former NHS Trusts and latterly divisions of the NHS Board. These arrangements had previously been reported as satisfactory within the individual Statements on Internal Control and had all been accredited to CNORIS Level I standard.

The Group membership, its remit and working relationship are currently being reviewed by the Chief Executive and the Designated Executive leads to ensure that leadership and accountability arrangements fit with a new single system structure and also to reflect the incorporation of the functions transferred from the former Argyll & Clyde Health Board.

The NHS Board is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. It also continues to adapt its governance arrangements to take account of changes within its internal organisational structure. In particular, during the year to 31 March 2006, and up to the signing of the accounts, it has:

- adapted its governance arrangements to support a new organisational structure, implemented from 1 April 2006, which saw the establishment of an Acute Division, a Mental Health Partnership, CHCPs and CHPs.

- reviewed and revised the remits and membership of the standing committees of the NHS Board to support the transition to single system working under the new organisational arrangements. Revised remits were agreed by the NHS Board and referred to the relevant standing committee for discussion before approval. Membership of standing committees was reviewed. The revised remits and membership of the standing committees were effective from 1 January 2006, allowing for a period of "shadow" operation prior to the implementation of the new organisational structure with effect from 1 April 2006.

- created two Audit Support Groups (ASGs) to replace the previous divisional audit committees. Each ASG covers a specific area of operations and reviews all audit matters ensuring that all issues are actioned. This allows the Audit Committee to concentrate on strategic and Glasgow wide issues. The Audit Committee monitors the operation of the ASGs.

- begun the integration of the "Clyde" area of the former Argyll and Clyde Health Board. A Project Board was established during 2005/06, to oversee the transition process, supported by a Project Team and Six specialist sub groups set up to cover key areas of work - Finance, Human Resources, Assets, Community Care, Governance and Primary Care.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by:

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

- the ongoing work of and annual assurance statements provided by the Audit Committee, Health and Clinical Governance Committee, and Risk Management Steering Group;

- the work of the internal auditors , who submit to the organisation's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;

- comments made by the external auditors in their management letters and other reports.

The control mechanisms are overseen and continually evaluated by the following committees:

- The NHS Board, which comprises Executive and Non-Executive Directors, acts as a board of governance providing strategic leadership and direction across NHS Greater Glasgow in respect of strategy development, resource allocation, implementation of the Local Health Plan and performance management. The NHS Board meets bi-monthly. Regular NHS Board Seminars are held for Members to allow detailed discussion on emerging issues. This gives Non Executive Directors additional opportunity to shape the direction of strategies and policies. The NHS Board receives the minutes of all meetings of the NHS Board's standing committees.

- An Audit Committee responsible for ensuring that within NHS Greater Glasgow: appropriate audit mechanisms are in place; activities are conducted within the law and regulations that govern the NHS in Scotland; and an effective internal control system is maintained. The Audit Committee meets bi-monthly and considers regular reports, and recommendations for improvement, from both the internal and external auditors. The Audit Committee also monitored the work of the former Divisional Audit Committees until December 2005 and monitors the work of the Audit Support Groups established in January 2006.

- A Performance Review Group (PRG), which has delegated responsibility from the NHS Board to monitor organisational performance, resource allocation and utilisation, and the implementation of NHS Board agreed strategies, including the approval of key stages in the implementation of such strategies. The PRG also ensures that there is a co-ordinated overview of performance across all domains of the Performance Assessment Framework. The PRG meets bi-monthly.

- A Health and Clinical Governance Committee (HCGC), which met three times during the year, ensured that clinical governance mechanisms were in place and operated effectively throughout NHS Greater Glasgow and that the principles and standards of clinical governance were applied to health improvement activities of the NHS Board. A Clinical Governance Implementation Group was established in 2006, under the leadership of the Board Medical Director, to support the HCGC and to direct and monitor progress of the local programme for clinical governance. The Group assumed the clinical governance responsibilities of the former divisional management arrangements and met twice during 2006. The minutes of its meetings are reported to the HCGC.

- A Staff Governance Committee that ensured staff governance mechanisms were in place and effective throughout NHS Greater Glasgow and ensured that the principles and standards of the Staff Governance Standard were applied to all management practice within the operating divisions and NHS Board. The Committee met three times in 2005/06. In addition, the Remuneration Sub Committee met to consider the appraisal and remuneration arrangements of the Executive Directors within NHS Greater Glasgow and set corporate objectives. Divisional and NHS Board Remuneration Sub Groups dealt with the previous year's appraisal and performance.

- An Involving People Committee that ensured that the NHS Board discharges its legal obligations to involve, engage and consult patients, the public and communities in the planning and development of services and in the decision-making about the future pattern of services. The Committee met on six occasions during 2005/06.

- A Risk Management Steering Group (as detailed previously) that met three times during 2005/06.

I have reviewed the evidence available to me regarding the operation of the system of internal control during the year and can confirm that an effective system continues to be in place or that where weaknesses have been identified plans are in place, and being implemented, to ensure that they are addressed. Arising out of this review, the following issue requires to be disclosed.

In 2004/05, the Statement on Internal Control disclosed that work carried out by NHS Scotland Counter Fraud Service (CFS) highlighted that a potentially significant level of incorrect claims may have been made at the point of delivery for exemption from NHS prescription, dental and ophthalmic charges. Extrapolation of the sample results for Greater Glasgow, to give an indication of the potential level of Family Health Services (FHS) income error, suggested that the level of income lost in prescription, dental and ophthalmic charges in the year to 31 December 2004 could potentially amount to £6.1million. No assurances as to the likely accuracy of this estimate were provided, however, the matter was nevertheless disclosed in the Statement on Internal Control.

The CFS has again carried out this exercise and extrapolation of the sample results for the year to 31 December 2005 suggests that the level of erroneous claims made during 2005/06 could amount to £7.2million. This could indicate an increasing trend in the level of fraud. However this should be taken in the context that over the 3 years that this information has be made available there has been significant positive and negative fluctuations within the individual extrapolations of pharmacy, dental and ophthalmic fraud levels. We therefore have significant concerns over the validity and accuracy of the extrapolations and the estimated error arrived at. Nevertheless, we accept that the level of patient exemption error could be significant and, as responsibility for all aspects of FHS income remains with the NHS Board, it is appropriate that this is disclosed in the Statement on Internal Control. The CFS will carry out further risk assessments and investigations to inform future work in this area and the NHS Board will continue to work with the CFS and Contractors to minimise the levels of erroneous exemption claims made.

T A Divers
Chief Executive and Accountable Officer
27 June 2006

Independent Auditor's report to the members of NHS Greater Glasgow Board, the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements of NHS Greater Glasgow ("the Board") for the year ended 31 March 2006 prepared under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes set out on pages 27 to 40 and 42 to 51. These financial statements have been prepared under the accounting policies set out within them.

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 the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Board, Accountable Officer and auditor

As described on pages 18 and 19 the Board and Accountable Officer are responsible for preparing the annual report and the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited, which solely concerns Board Members and Senior Employees remuneration, have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Director's Report is not consistent with the financial statements, if the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control on pages 20 to 24 reflects the board's compliance with the Scottish Executive Health Department's guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we am aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Board as at 31 March 2006 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Regularity

The Counter Fraud Services (CFS) of the National Services Scotland (NSS) performs testing in relation to patient exemptions with regard to pharmacy, dental and ophthalmic charges for the whole of Scotland. On the basis of the data obtained, the CFS extrapolates the information to give an estimated (and possible) total value for patient exemptions that may be non eligible. The extrapolation for NHS Greater Glasgow for 2005/06 suggests that exemptions amounting to £7.2 million may have been given that were not eligible. As a result of the work by the CFS and the potential control deficiencies which may exist, the Board has outlined this matter concerning patient exemptions in its Statement of Internal Control and Directors' Report.

In our opinion and taking account of the above noted matter, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

27 June 2006

NHS Greater Glasgow

Annual Accounts for the year ended 31 March 2006

Operating Cost Statement

	Note	2006 £'000	2005 £'000
Clinical Services Costs			
Hospital and Community	4	1,423,683	1,305,227
Less: Hospital and Community Income	9	351,327	321,218
		1,072,356	984,009
Family Health	5	374,753	350,677
Less: Family Health Income	9	17,194	16,168
		357,559	334,509
Total Clinical Services Costs		1,429,915	1,318,518
Administration Costs	6	11,137	11,721
Less: Administration Income	9	19	5
		11,118	11,716
Other Non Clinical Services	7	29,870	21,278
Less: Other Operating Income	9	33,712	18,198
		(3,842)	3,080
Local Health Councils (Prior Year Only)	8	-	261
Net Operating Costs	19	1,437,191	1,333,575

SUMMARY OF REVENUE RESOURCE OUTTURN

	Note	2006 £'000	2005 £'000
Net Operating Costs (per above)		1,437,191	1,333,575
Less: Capital Grants to Other Bodies	10	(7,570)	(238)
Less: FHS Non Discretionary Allocation		(71,603)	(64,592)
Less: Local Health Council Allocation/Expenditure (Prior Year Only)		-	(261)
Less: Other Allocations		-	(427)
Net Resource Outturn		1,358,018	1,268,057
Revenue Resource Limit		1,370,302	1,280,160
Saving excess against Revenue Resource Limit		12,284	12,103
MEMORANDUM FOR IN YEAR OUTTURN			
Brought forward surplus from previous financial year		(12,103)	(5,010)
Saving excess against in year Revenue Resource Limit		181	7,093

Statement of Recognised Gains and Losses

	Note	**2006 £'000**	2005 £'000
Net gain on revaluation of tangible fixed assets	12	**26,352**	30,806
Net gain on revaluation of intangible fixed assets	11	**440**	-
Movement in Donated Asset Reserve due to receipts	20	**732**	1,218
Total recognised gains for the year		**27,524**	32,024

NHS Greater Glasgow

Annual Accounts for the year ended 31 March 2006

Balance Sheet

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Intangible Fixed Assets	11	**1,385**	297
Tangible fixed assets	12	**923,633**	877,173
Total Fixed Assets		**925,018**	877,470
Debtors falling due after more than one year	14	**1,875**	3,789
CURRENT ASSETS			
Stocks	13	**18,021**	16,610
Debtors	14	**49,292**	46,399
Cash at bank and in hand	15	**4,197**	5,476
		71,510	68,485
CURRENT LIABILITIES			
Creditors due within one year	16	**(197,524)**	(191,115)
Net current assets liabilities		**(126,014)**	(122,630)
Total assets less current liabilities		**800,879**	758,629
CREDITORS DUE AFTER MORE THAN 1 YEAR	16	**(8)**	(222)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(107,205)**	(70,330)
		693,666	688,077
FINANCED BY:			
General Fund	19	**439,912**	458,333
Revaluation Reserve	20	**244,161**	219,626
Donated Asset Reserve	20	**9,593**	10,118
		693,666	688,077

Adopted by the Board on 27 June 2006

D Griffin
Director of Finance

T A Divers
Chief Executive

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

	Note	**2006 £'000**	2005 £'000
NET OPERATING CASHFLOW			
Net cash outflow from operating activities		**(1,342,209)**	(1,222,040)
CAPITAL EXPENDITURE			
Payment to acquire fixed assets		**(59,950)**	(62,090)
Receipts from sales of fixed assets		**8,977**	175
Net cash inflow / (outflow) for capital expenditure		**(50,973)**	(61,915)
Net cash inflow / (outflow) before Financing		**(1,393,182)**	(1,283,955)
FINANCING			
Funding	19	**1,393,182**	1,283,512
Movement in general fund working capital		**457**	(473)
Cash drawn down		**1,393,639**	1,283,039
Capital element of finance lease and PFI payments		**-**	-
Net cash inflow from financing		**1,393,639**	1,283,039
Increase/(decrease) in cash in year		**457**	(916)

NOTES

1. Reconciliation of operating cost to operating cash flow

	Note	2006	2005
Net Operating Cost for the year		**(1,437,191)**	(1,333,575)
Expenditure not involving payment of cash	3	**58,446**	62,612
Net movement on working capital	18	**36,536**	48,923
Operating cash outflow		**(1,342,209)**	(1,222,040)

2. Reconciliation of net cash flow to movement in net debt/cash

	Note	2006	2005
Increase/(decrease) in cash in year		**457**	(916)
Net debt/cash at 1 April	15	**3,252**	4,168
Net debt/cash at 31 March	15	**3,709**	3,252

1. ACCOUNTING POLICIES

a) Authority

The Accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury, to the extent that the Scottish Executive Health Department has directed as being appropriate to Unified Health Boards in the manual for Accounts. They have been applied consistently in dealing with items considered material in relation to the accounts.

The particular accounting policies adopted by the Health Board follow UK generally accepted accounting practice (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by SEHD, and are described below.

b) Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

c) Accounting Convention

The Accounts are prepared on a historical cost basis modified to reflect changes in the value of fixed assets at their value to the business by reference to their current costs.

d) Funding

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Executive Health Department within an approved revenue resource limit. If the Board underspends against the approved revenue resource limit, the balance may be carried forward to the following year, subject to restraints imposed by the Scottish Executive Health Department. Cash drawn down to fund expenditure within this approved revenue resource limit will be credited to the general fund.

Miscellaneous Income is income receivable by the Board and should not be included as funding.

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 Executive. 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 fixed assets received from the Scottish Executive Health Department is credited to the general fund.

e) Fixed Assets

The treatment of fixed assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the Capital Accounting Manual.

Title to properties included in the accounts is held by Scottish Ministers.

(i) **Capitalisation**

All assets falling into the following categories are capitalised:

- Tangible 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.
- 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.
- Assets of lesser value may be capitalised where they form part of a networked computer system purchased at approximately the same time and cost over £5,000 in total, or where they are part of the initial costs of equipping a new development and total over £5,000.
- Intangible assets which can be valued, are capable of being used in a Board's activities for more than one year and have a replacement cost equal to or greater than £5,000.

(ii) **Valuation**

Fixed assets are valued as follows:

Specialised NHS land, buildings, installations and fittings are stated at their depreciated replacement cost, other than surplus land and buildings which are stated at their market value. Non specialised land and buildings, such as offices, are stated at the lower of their replacement cost or recoverable amount.

Valuations of all land and building assets within NHSScotland are reassessed by valuers under a rolling 5-year programme 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 Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Executive Health Department. In addition, in accordance with SEHD guidance, the Board has applied market values to all non-operational properties and existing use values to non-specialised properties.

Equipment is valued at the lower of its net replacement cost or recoverable amount.

The net replacement cost is the replacement cost of the asset as new depreciated in respect of its remaining useful life. The recoverable amount will only be used when the decision has been made to dispose of the asset.

Assets in the course of 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.

To meet the underlying objectives established by the Scottish Executive Health Department the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than a modern substitute basis;
- no adjustment has been made to the cost figures of operational assets in respect of dilapidations;
- and additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:
Losses in value reflected in valuations are accounted for in accordance with Financial Reporting Standard 11. The consumption of economic benefits is charged to the operating cost statement described as impairments. Decreases in asset value that relate to fluctuations in market prices are first charged to the element of the revaluation reserve relating to the asset and that amount is recognised in the Statement of Recognised Gains and Losses. Further losses, beyond the level of the revaluation reserve relating to that asset, are charged to the operating cost statement, except where it is anticipated that the reduction in value will reverse in the foreseeable future.

(iii) **Depreciation**
Depreciation is charged on each main class of tangible asset as follows:

- Freehold land and assets in the course of construction are not depreciated.
- Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the appointed valuer. The actual remaining lives of the building elements are assessed in the context of the maximum useful lives for building elements.
- Equipment is depreciated over the estimated life of the asset. Depreciation is charged on a straight line basis. The following asset lives have been used.

Asset Category	**Short Life**	**Medium Life**	**Long Life**
Medical Equipment	5	10	15
Engineering Equipment	-	-	15
Catering Equipment	-	-	15
Vehicles	-	7	-
Information Technology	5	8	10
Other Office Equipment	5	-	-

(iv) **Donated Assets**

Fixed assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the full replacement cost of the asset. The value of donated assets is credited to the donation reserve, and the accounting treatment, including the method of valuation, follows the rules in the Capital Accounting Manual. Where a donation covers only part of the total cost of the asset concerned, only that part element is included in the donated assets reserve.

(v) **Sale of Fixed Assets**

Disposal of fixed 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, this is the gain or loss on disposal, which will be recorded in the Operating Cost Statement.

(vi) **Leasing**

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after more than one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period, or a reasonable approximation thereto.

Rentals under operating leases are charged on a straight-line basis.

Currently there are no assets held under finance leases.

(vii) **Intangible Assets**

Intangible assets, such as software licences, are capitalised when they are capable of being used in the Board's activities for more than one year, they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairments at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter term of the licence and their useful economic lives.

f) Research and Development

Expenditure on Research and Development is written off to revenue as it is incurred, except insofar as it relates to a clearly defined project, the benefits from which can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the operating cost statement on a systematic basis over the period expected to benefit from the project.

g) Debtors and Creditors

Debtors and Creditors have been assessed on the basis of goods and services supplied or received up to and including 31 March 2006 for which payment had not been received or made by that date.

h) Stocks

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

i) 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.

j) Pension Costs

The Board contributes to the NHS Superannuation Scheme for Scotland. Contributions to this scheme (and other schemes) are determined on the basis of recommendations made by the Government Actuary. The pension cost charged to the operating cost statement is based on an actuarial assessment of the cost to be borne by the NHS Board.

The Balance sheet records provision for future liability for the lifetime cost of enhanced pensions paid to former employees of the board.

k) Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to an annual limit based on their revenue allocation. Costs above this limit are reimbursed to employing authorities from a central fund held by the Clinical Negligence and Other Risks Indemnity Scheme on behalf of the Scottish Executive Health Department. Clinical negligence costs may also be reimbursed in part by the SEHD.

l) Related Party Transactions

FRS 8 requires disclosure of material related party transactions. Transaction with other NHS bodies for the commissioning of health care are summarised in note 4. Transactions with health bodies, eg sharing administration costs, or with individuals are disclosed if material.

m) Liquid Resources

Investments which are not accessible within 24 hours without loss of interest but which do not mature in a period greater than one year are classified as current asset investments in the balance sheet. Net cash at bank, includes deposits and overdrafts are deducted in arriving at the figure disclosed in the cash flow statement. The amounts shown in the balance sheet are analysed between Cash at Bank and In Hand and Overdrafts, which are included in creditors. The amount shown in the cash flow statement includes deposits, cash and credit balances less overdrafts.

n) 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

o) PFI Schemes

The NHS follows HM Treasury's Technical Note 1 (Revised) 'How to Account for PFI Transactions' which provides practical guidance for the application of the FRS 5 amendment.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. 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 Operating Cost Statement. 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 revision is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Board, it is recognised as a fixed asset along with the liability to pay for it, which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease and a service charge.

p) 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 (currently 2.8% for premature retirement and injury benefit provisions).

2. (a) STAFF NUMBERS AND COSTS

	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	2006 Total £'000	2005 £'000
STAFF COSTS							
Salaries and wages	700	251	728,446	-	-	**729,397**	671,856
Social security costs	77	16	59,748	-	-	**59,841**	56,388
NHS scheme employers' costs	95	-	79,539	-	-	**79,634**	74,370
Other employers' pension costs	-	-	-	-	-	**-**	-
Inward secondees	-	-	-	3,727	-	**3,727**	-
Agency staff	-	-	-	-	12,967	**12,967**	13,258
	872	267	867,733	3,727	12,967	**885,566**	815,872
Compensation for loss of office	-	-	-	-	-	**-**	-
Pensions to former board members	-	-	-	-	-	**-**	-
TOTAL	**872**	**267**	**867,733**	**3,727**	**12,967**	**885,566**	815,872

STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	2006 ANNUAL MEAN	2005 ANNUAL MEAN
Administration	**143.3**	138.9
Hospital and Community Services	**25,856.2**	24,849.0
Non Clinical Services	**191.7**	140.7
Local Health Councils (prior year only)	**-**	4.7
Other, including recharge Trading Accounts	**108.9**	17.3
Inward secondees	**64.9**	-
Board Total Average Staff	**26,365.0**	25,150.6

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in note 26.

Information on Inward Secondees for 2004/05 is not available, as the NHSGG single ledger only contains summarised data for 2004/05.

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

The number of employees whose remuneration fell within the following ranges is:

	2006 Number	2005 Number
Clinicians		
£ 50,000 to £ 60,000	**372**	405
£ 60,001 to £ 70,000	**285**	313
£ 70,001 to £ 80,000	**167**	167
£ 80,001 to £ 90,000	**110**	126
£ 90,001 to £100,000	**160**	170
£100,001 to £110,000	**146**	137
£110,001 to £120,000	**124**	101
£120,001 to £130,000	**68**	69
£130,001 to £140,000	**71**	48
£140,001 to £150,000	**33**	20
£150,001 and above	**64**	29
Other		
£ 50,000 to £ 60,000	**112**	61
£ 60,001 to £ 70,000	**52**	21
£ 70,001 to £ 80,000	**11**	10
£ 80,001 to £ 90,000	**8**	6
£ 90,001 to £100,000	**5**	6
£100,001 to £110,000	**3**	1
£110,001 to £120,000	**2**	3
£120,001 to £130,000	**1**	2
£130,001 to £140,000	**0**	0
£140,001 to £150,000	**0**	0
£150,001 and above	**0**	0

3. OTHER OPERATING COSTS

	Note	2006 £'000	2005 £'000
Expenditure Not Paid In Cash			
Depreciation	11, 12	40,334	35,932
Cost of Capital	19	23,924	23,037
Impairments - Charge	12	-	3,539
Impairments - Reversal		-	-
Revaluation loss on fixed assets charged to OCS		-	-
Loss/(Profit) on disposal of intangible fixed assets		-	-
Loss/(Profit) on disposal of purchased fixed assets		(5,371)	103
Other non cash costs		(441)	1
Total Expenditure Not Paid In Cash		58,446	62,612
Travel, Subsistence and Hospitality		16,311	16,644
Operating Lease Rentals:			
Hire of equipment (including vehicles)		5,287	1,360
Other operating leases		1,172	4,083
Total		6,459	5,443
Statutory Audit			
External audit fee -PWC		343	370
External audit fee - Audit Scotland		167	123
Total		510	493
PFI/PPP and Similar Contracts			
Service charge relating to off-balance-sheet PFI/PPP contracts		5,216	5,096

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

	2006 £'000	2005 £'000
BY PROVIDER		
Treatment in Board area of NHSScotland patients	**1,295,468**	1,180,211
Other NHSScotland bodies	**20,307**	20,503
Health bodies outside Scotland	**1,148**	1,120
Primary care bodies	**-**	212
Private sector	**12,647**	12,676
Community Care		
Support Finance	**158**	75
Resource Transfer	**81,762**	76,828
Donations to Voluntary Bodies	**2,074**	1,993
Other Health Care, including Charities	**8,812**	10,516
Total NHS Scotland Patients	**1,422,376**	1,304,134
Treatment of UK residents based outside Scotland	**1,307**	1,093
Total Hospital & Community Health Service	**1,423,683**	1,305,227

	2006 £'000	2005 £'000
BY SERVICE CATEGORY		
Acute services	**779,550**	707,184
Maternity services	**66,279**	60,126
Geriatric assessment	**51,440**	46,665
Mental health services	**187,162**	169,788
Learning disability	**53,864**	48,864
Geriatric long stay	**44,414**	40,291
Young physically disabled	**4,664**	4,231
Other community services	**134,463**	121,981
Other services	**32,814**	29,768
Total Care Expenditure	**1,354,650**	1,228,898
Additional Costs of Teaching	**29,213**	29,855
Research & Development	**13,293**	13,870
UK Residents based outside Scotland	**1,307**	1,093
Other	**25,220**	31,511
Total as Above	**1,423,683**	1,305,227

5. FAMILY HEALTH SERVICE EXPENDITURE

	Unified Budget	Non discretionary	Total 2006	2005
	£'000	£'000	£'000	£'000
Primary Medical Services	118,951	-	**118,951**	107,287
Pharmaceutical Services	170,920	21,974	**192,894**	187,800
General Dental Services	2,171	50,304	**52,475**	46,259
General Ophthalmic Services	-	10,433	**10,433**	9,331
Total	**292,042**	**82,711**	**374,753**	350,677

6. ADMINISTRATION COSTS

	2006	2005
	£'000	£'000
Board Members' Remuneration	**1,139**	814
Administration of Board Meetings and Committees	**578**	758
Corporate Governance and Statutory Reporting	**1,185**	1,287
Health Planning, Commissioning and Performance Reporting	**5,062**	5,705
Treasury Management and Financial Planning	**396**	509
Public Relations	**796**	614
Other	**1,981**	2,034
Total Administration Costs	**11,137**	11,721

7. OTHER NON CLINICAL SERVICES

	2006	2005
	£'000	£'000
Occupational Health	**1,659**	1,596
Closed hospital charges	**-**	363
Compensation payments - Clinical	**8,680**	3,548
Compensation payments - Other	**1,425**	698
Pension enhancement & redundancy	**(520)**	(299)
Patients' Travel Attending Hospitals	**292**	109
Patients' Travel Highlands and Islands scheme	**6**	29
Clinical Audit	**326**	315
Health Promotion	**10,197**	9,058
Public Health	**626**	907
Public Health Medicine Trainees	**823**	427
Emergency Planning	**74**	68
Loss on disposal of fixed assets	**98**	209
Other	**6,184**	4,250
Total Other Non Clinical Services	**29,870**	21,278

8. LOCAL HEALTH COUNCIL

	Prior year only 2005 £'000
Salaries & Wages	
Administrative Staff	151
Travel & Subsistence	
Council Members-Travel	5
Staff-Travel	2
Staff-Course Fees & Expenses	1
	159
Accomodation Expenses	
Cleaning	3
Furniture, Fittings & Equipment.	8
	11
Running Expenses	
Advertising & Publicity	10
Posts, Telephone & Carriage	13
Printing & Stationery	18
Subscriptions – Nat. Assoc.	12
Other	38
	91
Total Expenditure	261

9. OPERATING INCOME

	2006 £'000	2005 £'000
HCH Income		
NHSScotland Bodies		
- SEHD	10,874	27,771
- Boards	308,641	268,336
Non NHS		
Private Patients	132	193
RTA Income	1,175	1,167
Other HCH income	30,505	23,751
Total HCH Income	351,327	321,218
FHS Income		
Discretionary	6,543	6,126
Non Discretionary		
General Dental Services	10,651	10,042
General Ophthalmic Services	-	-
Total FHS Income	17,194	16,168
Administration Income	19	5
Other Operating Income		
NHS Bodies	2,077	2,169
Contributions in respect of Clinical/ medical negligence claims	6,057	884
Profit on disposal of fixed assets	5,469	52
Transfer from Donated Asset Reserve in respect of Depreciation	1,394	966
Interest Received	4	16
Other	18,711	14,111
Total Other Operating Income	33,712	18,198
Total Income	402,252	355,589
Of the above, the amount derived from NHS bodies is	310,718	270,505

10. ANALYSIS OF CAPITAL EXPENDITURE

	Note	2006 £'000	2005 £'000
EXPENDITURE			
Acquisition of Intangible Fixed Assets	11	**746**	62
Acquisition of Tangible Fixed Assets	12	**64,627**	66,132
Capital Grants (to) / from Other Bodies		**7,570**	238
Gross Capital Expenditure		**72,943**	66,432
INCOME			
Net book value of disposal of Tangible Fixed Assets	12	**3,606**	278
Net Capital Expenditure		**69,337**	66,154

Summary of Capital Resource Outturn

	2006 £'000	2005 £'000
Net capital expenditure as above	**69,337**	66,154
Capital Resource Limit	**69,460**	66,213
Saving/(excess) against Capital Resource Limit	**123**	59

11. INTANGIBLE FIXED ASSETS

	Software Licences £'000	Other Intangible £'000	Total £'000
Cost or Valuation:			
As at 1st April 2005	490	-	490
Additions	-	746	746
Donations	-	-	-
Transfers	-	-	-
Disposals	-	-	-
Revaluation	-	440	440
Impairment Charge	-	-	-
Impairment Reversal	-	-	-
At 31st March 2006	**490**	**1,186**	**1,676**
Amortisation			
At 1st April 2005	193	-	193
Provided during the year	98	-	98
Transfers	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
Impairment Charge	-	-	-
Impairment Reversal	-	-	-
At 31st March 2006	**291**	**-**	**291**
Net Book Value at 1st April 2005	297	-	297
Net Book Value at 31 March 2006	**199**	**1,186**	**1,385**

12. (a) TANGIBLE FIXED ASSETS (Purchased Assets)

	Land & Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2005	761,924	206	1,581	171,027	15,099	2,213	68,863	1,020,913
Additions	2,895	-	119	4,793	13	-	56,807	64,627
Completions	12,895	-	-	8,433	1,631	-	(22,959)	-
Transfers	-	-	-	-	-	-	-	-
Revaluation	24,977	-	-	-	-	-	2,643	27,620
Impairment Charge	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-
Disposals	(3,704)	-	(78)	(714)	-	-	-	(4,496)
At 31 March 2006	**798,987**	**206**	**1,622**	**183,539**	**16,743**	**2,213**	**105,354**	**1,108,664**
Depreciation								
At 1 April 2005	25,389	(8)	752	114,216	11,692	1,791	25	153,857
Provided during the year	28,529	-	164	9,976	1,536	56	(25)	40,236
Transfers	-	-	-	-	-	-	-	-
Revaluation	1,421	-	-	-	-	-	-	1,421
Impairment Charge	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-
Disposals	(104)	-	(72)	(714)	-	-	-	(890)
At 31 March 2006	**55,235**	**(8)**	**844**	**123,478**	**13,228**	**1,847**	**-**	**194,624**
Net book value at 1 April 2005	736,535	214	829	56,811	3,407	422	68,838	867,056
Net book value at 31 March 2006	**743,752**	**214**	**778**	**60,061**	**3,515**	**366**	**105,354**	**914,040**
Open market value of Land and Dwellings included above	**13,745**	**214**						

12. (b) TANGIBLE FIXED ASSETS (Donated Assets)

	Land & Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2005	6,052	-	116	19,947	155	24	968	27,262
Additions	-	-	-	274	37	-	421	732
Completions	-	-	-	-	-	-	-	-
Transfers	-	-	-	1,358	-	-	(1,358)	-
Revaluation	163	-	-	-	-	-	-	163
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	(26)	(70)	-	-	-	(96)
At 31 March 2006	**6,215**	-	**90**	**21,509**	**192**	**24**	**31**	**28,061**
Depreciation								
At 1 April 2005	436	-	110	16,448	127	24	-	17,145
Provided during the year	188	-	4	1,189	13	-	-	1,394
Transfers	-	-	-	-	-	-	-	-
Revaluation	10	-	-	-	-	-	-	10
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	(26)	(55)	-	-	-	(81)
At 31 March 2006	**634**	-	**88**	**17,582**	**140**	**24**	**-**	**18,468**
Net book value at 1 April 2005	5,616	-	6	3,499	28	-	968	10,117
Net book value at 31 March 2006	**5,581**	-	**2**	**3,927**	**52**	**-**	**31**	**9,593**
Open market value of Land and Dwellings included above	**-**	**-**						

12. (c) FIXED ASSET DISCLOSURES	2006 £'000	2005 £'000
Net book value of tangible fixed assets at 31 March		
Purchased	**914,040**	867,056
Donated	**9,593**	10,117
Total	**923,633**	877,173
Net book value related to land valued at open market value at 31 March	**13,745**	7,896
Net book value related to buildings valued at open market value at 31 March	**214**	214

As part of the 5 year rolling program all and assets were revalued as at 31st March 2006 by Pollock and Buchan, Chartered Surveyors. Other tangible fixed assets were revalued on the basis of indices at 31 March.

The net impact was an increase in value for Purchased Assets of £26.1m, which was credited to the revaluation reserve and an increase in value for Donated Assets of £153k, which was credited to the donation reserve.

13. STOCK	2006 £'000	2005 £'000
Raw Materials and Consumables	**18,021**	16,499
Finished Goods	**-**	111
Total Stock	**18,021**	16,610

14. DEBTORS	2006 £'000	2006 £'000
Debtors due within one year		
NHSScotland		
- SEHD	**679**	208
- Boards	**16,605**	15,864
Total NHSScotland Debtors	**17,284**	16,072
VAT recoverable	**1,639**	2,029
Prepayments and accrued income	**6,192**	8,811
Other Debtors	**17,438**	17,733
Reimbursement of provisions	**6,739**	1,754
Other Public Sector Bodies		
Total Debtors due within one year	**49,292**	46,399
Debtors due after more than one year		
Other Debtors	**1,875**	3,789
Total Debtors	**51,167**	50,188
The total debtors figure above includes a provision for bad debts of :	**1,080**	458

15. CASH AT BANK AND IN HAND

	At 1 April 2005 £'000	At 31 March 2006 £'000	Cash Flow 2006 £'000	Cash Flow 2005 £'000
PGO account balance	5,242	2,286	(2,956)	(2,117)
Cash at bank and in hand	234	1,911	1,677	33
Total Cash - Balance Sheet	**5,476**	**4,197**	**(1,279)**	(2,084)
Overdrafts	(2,224)	(488)	1,736	1,168
Total Cash - Cash Flow Statement	**3,252**	**3,709**	**457**	(916)

16. CREDITORS

	2006 £'000	2005 £'000
Creditors due within one year		
NHSScotland		
- SEHD	**679**	62
- Boards	**5,617**	4,501
Total NHSScotland Creditors	**6,296**	4,563
General Fund Creditor	**3,709**	3,252
FHS Practitioners	**42,324**	36,376
Trade Creditors	**14,678**	30,549
Accruals	**92,648**	76,895
Payments received on account	**2,917**	3,877
Bank overdrafts	**488**	2,224
Income tax and social security	**19,817**	20,976
VAT	**-**	415
Other creditors	**14,647**	11,988
Total Creditors due within one year	**197,524**	191,115
Creditors due after more than one year		
Other creditors	**8**	222
TOTAL CREDITORS	**197,532**	191,337

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000	Clinical & Medical Negligence £'000	Other £'000	Total at 31 March 2006 £'000	Total at 31 March 2005 £'000
At 1 April 2005	49,257	8,918	12,155	**70,330**	73,256
Arising during the year	7,742	7,668	36,975	**52,385**	16,245
Utilised during the year	(2,914)	(749)	(1,472)	**(5,135)**	(13,675)
Reversed unutilised	(8,590)	(1,412)	(373)	**(10,375)**	(5,496)
At 31 March 2006	**45,495**	**14,425**	**47,285**	**107,205**	70,330

The Clinical and Medical Negligence provision is based on a review of all outstanding and potential negligence claims for which the Board may be liable. The Central Legal Office assesses the likely outcome of claims, and allocates claims into three categories of risk; the Board is required to provide for 100% in respect of claims assessed by the CLO as risk category 3, and has taken a view to provide for 50% of risk category 2 claims.

Provision is also made for potential costs relating to the payment of pensions and injury benefits; the provision is based on the actuarial costs of early retirements, and of permanent injury benefit payments. A discount rate of 2.8% has been applied during the financial year. The expenditure is likely to be incurred over a period of between 5 and 28 years in respect of pensions, and between 6 and 55 years in respect of injury benefits.

Other provisions comprises a number of items, of which the two most significant relate to costs of Agenda for Change and restructuring costs.

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as debtors in note 14.

18. MOVEMENT ON WORKING CAPITAL BALANCES

	Note	Opening Balances £'000	Closing Balances £'000	Net Movement 2006 £'000	2005 £'000
STOCK	13				
Balance Sheet		16,610	18,021		
Net Increase				**(1,411)**	(1,050)
DEBTORS	14				
Due within one year		46,399	49,292		
Due after more than one year		3,789	1,875		
		50,188	51,167		
Net Decrease/(Increase)				**(979)**	(5,765)
CREDITORS	16				
Due within one year		191,115	197,524		
Due after more than one year		222	8		
Less: Capital included in above		(9,366)	(14,789)		
Less: Bank Overdraft		(2,224)	(488)		
Less: General Fund Creditor included in above		(3,252)	(3,709)		
		176,495	178,546		
Net Increase				**2,051**	58,664
PROVISIONS	17				
Balance Sheet		70,330	107,205		
Net Increase/(Decrease)				**36,875**	(2,926)
Net Increase				**36,536**	48,923

19. GENERAL FUND

	Note	2006 £'000	2005 £'000
General Fund at 1 April 2005		**458,333**	483,993
Opening General Fund Creditor	16	**3,252**	3,725
Add: Cash Drawn Down		**1,393,639**	1,283,039
Less: Closing General Fund Creditor	16	**(3,709)**	(3,252)
Net Funding		**1,393,182**	1,283,512
Net Operating Cost for the Year		**(1,437,191)**	(1,333,575)
Cost of Capital	3	**23,924**	23,037
Transfer of Realised Element of Revaluation Reserve	20	**2,104**	1,366
Other adjustments		**(440)**	-
Net decrease in General Fund		**(18,421)**	(25,660)
General Fund at 31 March 2006		**439,912**	458,333

20. MOVEMENT ON RESERVES

	Note	2006 £'000	2005 £'000
Revaluation Reserve			
Balance at 1 April 2005		**219,626**	190,656
Indexation/Revaluation of fixed assets	11, 12	**26,639**	30,336
Transfer of realised element to general fund	19	**(2,104)**	(1,366)
Balance at 31 March 2006		**244,161**	219,626
Donated Asset Reserve			
Balance at 1 April 2005		**10,118**	9,446
Indexation/Revaluation of fixed assets	12	**153**	470
Additions of donated assets	12	**732**	1,218
Release to the Operating Cost Statement		**(1,410)**	(1,016)
Balance at 31 March 2006		**9,593**	10,118

21. CONTINGENT LIABILITIES

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

	Clinical and medical compensation payments	Employer's liability	Third party liability	Total
	£'000	£'000	£'000	£'000
At 1 April 2005	15,320	171	1,022	**16,513**
Increase in value of claims	2,449	12	188	**2,649**
New claims arising during the year	802	312	379	**1,493**
Crystalised liabilities	(235)	(25)	(43)	**(303)**
Expired obligations	(166)	(5)	(173)	**(344)**
At 31 March 2006	**18,170**	**465**	**1,373**	**20,008**

Equal Pay Claims

NHS Bodies in England have recently settled several equal pay claims to address imbalances between the salary levels of employees with similar job roles and responsibilities. As a result, it should be recognised that there is a prospect that similar claims and resulting spend may occur in Scotland's Health Service.

22. POST BALANCE SHEET EVENTS

In May 2005, the Minister for Health announced the intention to dissolve NHS Argyll and Clyde with the significant part of the organisation's responsibilities to be integrated into NHS Greater Glasgow from 1 April 2006.

As a result, on 1 April 2006, NHS Greater Glasgow assumed these responsibilities for the West Dunbartonshire, East Renfrewshire, Renfrewshire and Inverclyde Council areas.

This integration will lead to a likely spend for the newly formed NHS Greater Glasgow and Clyde of an amount in excess of £2 billion per annum.

23. COMMITMENTS

Capital Commitments

The Board has the following Capital Commitments which have not been provided for in the accounts

	2006	2005
	£'000	£'000
Contracted		
Beatson Phase 2	**35,500**	30,589
Acute Services Commitments	**5,497**	6,710
Primary Care Projects	**2,900**	-
Total	**43,897**	37,299
Authorised but not Contracted		
Acute Services Commitments	**17,446**	9,041
Primary Care Projects	**7,335**	-
Total	**24,781**	9,041

24. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the leases expire.

Obligations under operating leases comprise:	2006 £'000	2005 £'000
Land and Buildings		
Within one year	54	-
Between two and five years (inclusive)	682	21
After five years	436	250
Other		
Within one year	702	808
Between two and five years (inclusive)	4,574	4,257
After five years	-	379

25. COMMITMENTS UNDER PFI CONTRACTS

The Board has entered into the following PFI contracts, which have been determined to be Off Balance Sheet

72 Bed Elderly Bed facility at Mearnskirk House - 10th July 1997 to 9th July 2018. The estimated capital value of the contract is unquantifiable and the facility concerned is not an asset of NHSGGs.

Hospital Information System - contract commenced on 5th March 2001 with EMC Europe. On 28th February 2003 this contract was novated from the original supplier to Filetek UK limited and the contract is due to finish on 4th March 2009. The scope of the original contract has been extended to cover the Victoria Infirmary from April 2005. The estimated capital value of the contract is unquantifiable and the system is not an asset of NHSGGs.

210 Bed Elderly Bed facility housing patients in Elderly Assessment, Medicine for the Elderly and younger physically disabled. Contract period 1st April 2001 to 31st March 2029. The estimated capital value of the contract is £8.25million and the facility is not an asset of NHSGGs.

In December 1997, Yorkhill NHS Trust entered into an off balance sheet Private Finance Initiative/Public Private Partnership contract for a managed service for hospital information systems. The estimated capital value of the asset used by the supplier in the delivery of this service is £2million. This asset is not an aset of the board . The initial contract is scheduled to end in December 2007.

Stobhill Local Forensic Unit - 74 bed self standing Inpatient Unit for patients with forensic psychiatric conditions, capital value £16.4M. Gartnavel Royal Hospital - 117 bed self standing Mental Health Hospital, capital value £16.6M.

Future Commitments

The payments to which the Board is committed during 2006/07 in respect of PFI/PPP transactions, analysed by the period during which the commitment expires, are as follows:

	2006/07 £'000	2005/06 £'000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	1,377	1,498
Expiry within 6 to 10 years	-	-
Expiry within 11 to 15 years	1,037	995
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	2,802	2,750
Expiry within 26 to 30 years	-	-
Expiry within 31 to 35 years	142	-
	5,358	5,243

26. PENSION COSTS

The NHS board participates in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary; details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The NHS board will therefore account for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17.

For 2005-06, normal employer contributions of £79,634,000 were payable to the SPPA (prior year £74,370,000) at the rate of 14% of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £107,000 (prior year £458,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities.

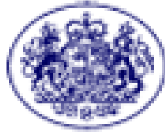
Provisions/Pre-payments amounting to £45,495,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 6% (5% for manual staff) of pensionable earnings. Pensions are increased in line with Retail Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than 2 years service. Where service exceeds 5 years, the pension is calculated using specially enhanced service, with a maximum enhancement of 10 years.

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on the full pension and lump sum which they have earned.

	2006 **£'000**	2005 £'000
Pension cost charge for the year	**79,634**	74,370
Additional Costs arising from early retirement	**107**	458
Provisions/Pre-payments included in the Balance Sheet	**45,495**	49,257



Greater Glasgow Health Board

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FreM) which is in force for the year for which the statement of accounts are prepared.

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

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

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

Signed by the authority of the Scottish Ministers

Dated