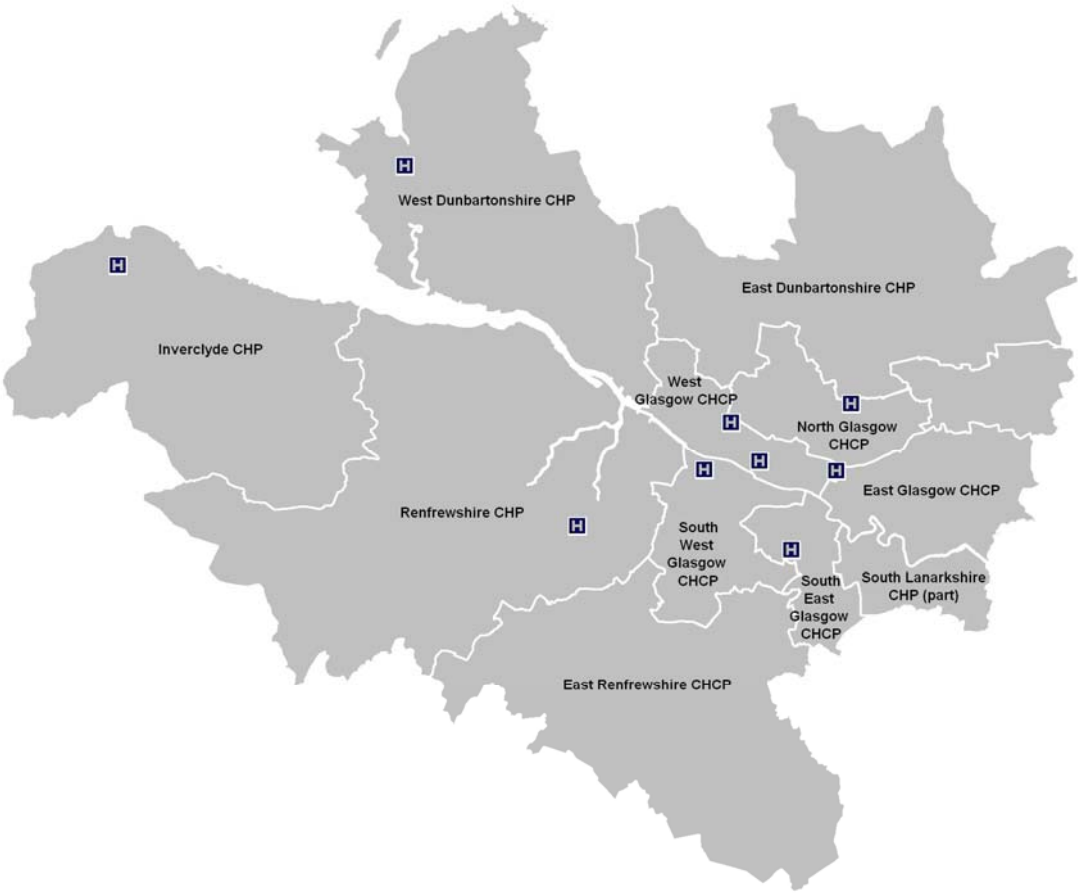
# NHS Greater Glasgow and Clyde
# Annual Accounts
# for the Year Ended 31 March 2009




***Authorised for issue***
***as at 23 June 2009***

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## DIRECTORS' REPORT

Any references in these accounts to NHS Greater Glasgow and Clyde (NHSGGC) are taken to mean Greater Glasgow Health Board.

### Date of Issue

The financial statements were approved and authorised for issue by the Board on 23 June 2009.

### 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 Financial Reporting Manual (FReM). The Accounts have been prepared under a direction issued by Scottish Ministers which is included as an annex to the accounts.

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

### Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General has appointed David McConnell, Assistant Director of Audit (Health), Audit Scotland to undertake the audit of NHS Greater Glasgow and Clyde. 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 NHS Board is a board of governance.

Members of NHS 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 NHS Board has collective responsibility for the performance of the local NHS system as a whole, and reflects a 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 2008 to 31 March 2009 were as follows:

### Non-Executive Members

| | |
|---|---|
| Mr A O Robertson OBE | Chairman |
| Mr J Bannon MBE | Non-Executive Director |
| Prof D H Barlow | Non-Executive Director |
| Dr C Benton MBE | Non-Executive Director |
| Mr G Carson | Non-Executive Director |
| Mr R Cleland | Non-Executive Director |
| Cllr J Coleman | Non-Executive Director; Councillor, Glasgow City Council |
| Dr D Colville | Chair of Area Clinical Forum (retired 31 March 2009) |
| Mrs A Coulthard | Non-Executive Director |
| Mr P Daniels OBE | Non-Executive Director |
| Ms R Dhir MBE | Non-Executive Director |
| Mr P Hamilton | Non-Executive Director |
| Cllr J Handibode | Non-Executive Director; Councillor, South Lanarkshire Council |
| Dr M Kapasi MBE | Non-Executive Director |
| Mr I Lee | Non-Executive Director (from 1 July 2008) |
| Cllr J McIlwee | Non-Executive Director; Councillor, Inverclyde Council |
| Cllr D MacKay | Non-Executive Director; Councillor, Renfrewshire Council |
| Mr G McLaughlin | Non-Executive Director |
| Mrs J Murray | Non-Executive Director |
| Mrs R K Nijjar | Non-Executive Director |
| Cllr I Robertson | Non-Executive Director; Councillor, West Dunbartonshire Council |
| Mr D Sime | Employee Director |
| Mrs E Smith | Non-Executive Director |
| Mrs A Stewart MBE | Non-Executive Director (retired 31 March 2009) |
| Cllr A Stewart | Non-Executive Director; Councillor, East Dunbartonshire Council |
| Mr B Williamson | Non-Executive Director |
| Cllr D Yates | Non-Executive Director; Councillor, East Renfrewshire Council |

**Executive Members**

| | |
|---|---|
| Mr T A Divers OBE | Chief Executive (retired 31 March 2009) |
| Dr L de Caestecker | Director of Public Health |
| Dr B N Cowan | Medical Director |
| Ms R Crocket | Nurse Director |
| Mr D Griffin | Director of Finance |

Note: Following the retiral of Mr Divers, Mr R Calderwood was appointed to the NHS Board as Chief Executive with effect from 1 April 2009. Also on 1 April 2009, Mr K Winter was appointed to the NHS Board as a Non-Executive Member.

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

**Board members' interests**

In addition to the Board Members listed above who are nominated Local Authority Councillors, the following is a record of Board Members' interests in organisations which have contracts or are potential contractors with the Board.

| | |
|---|---|
| Mr A O Robertson OBE | Vice Chair, Erskine Hospital |
| Prof D H Barlow | Executive Dean of the Faculty of Medicine, University of Glasgow |
| Dr L de Caestecker | Board member of Glasgow City Mission |
| Mr G Carson | Manager, Housing and Employment Service |
| Mr R Cleland | Partner, Odgers Ray and Berndtson, search and selection consultants; Board member, Audit Scotland; Member of University of Strathclyde Court |
| Dr D Colville | General Practitioner |
| Mrs A Coulthard | Member of Board of John Wheatley College |
| Mr P Daniels OBE | Member of Audit Scotland's Best Value Moderating Panel; Member of University of Glasgow Court |
| Mr D Griffin | Non-executive Director, Scottish Health Innovations Ltd |
| Mr G McLaughlin | Director of British Red Cross |
| Mrs E Smith | Non-executive Director, Scottish Prison Service (until August 2008) |
| Mrs A Stewart MBE | Vice Chair, Dixon Community |
| Mr B Williamson | Self-employed Private Surgical Practitioner |

**Pension Liabilities**

The accounting policy note for pensions is provided in Note 1, and disclosure of the costs is shown within Note 25 and the remuneration report.

**Related Party Transactions**

During the year NHS Greater Glasgow and Clyde entered into contracts for the provision of services with the following parties.

| Related Party | Details of Contracts | |
|---|---|---|
| Scottish Health Innovations Ltd | Grant funding of £390,000 was provided by NHS Greater Glasgow and Clyde | Mr D Griffin, Director of Finance was also a non-executive director of Scottish Health Innovations Limited, a not for profit company that supports the development and commercialisation of innovations arising within the NHS in Scotland. |
| The Stonelaw Practice | General Medical Services | Dr D Colville, Non-executive Director, is also a General Practitioner at the Stonelaw Practice |
| Erskine Hospital | NHS Greater Glasgow and Clyde spent £222,000 on residential patient care, training and conference facilities and supported workshops | Mr A O Robertson, Chairman, is also Vice Chair of Erskine Hospital |

| Related Party | Details of Contracts | |
|---|---|---|
| University of Glasgow | £4,223,000 was spent on training courses, research projects and teaching costs | Prof D H Barlow and Mr P Daniels OBE, Non–executive Directors are, respectively, Executive Dean of the Faculty of Medicine, Glasgow University and Member of the University of Glasgow Court |
| University of Strathclyde | £100,000 was spent on training courses and research projects | Mr R Cleland, Non–executive Director is also a Member of the University of Strathclyde Court |
| John Wheatley College | £2,500 was spent on training during the year | Mrs A Coulthard, Non–executive Director is also a board member of John Wheatley College |

**Payment policy**

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

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the Boards did endeavour to comply with the principles of The Better Payment Practice 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:-

| | **2008/09** | 2007/08 |
|---|---|---|
| Average period of credit taken | **45 Days** | 46 Days |
| Percentage of invoices by volume paid within 30 days | **70%** | 74% |
| Percentage of invoices by value paid within 30 days | **73%** | 77% |

**CORPORATE GOVERNANCE**

The Board met eight times during the year to progress the business of NHS Greater Glasgow and Clyde. The Board is supported by a number of standing committees that exist at unified NHS Board level:

- Clinical Governance
- Audit
- Staff Governance
- Research Ethics Governance
- Discipline (for primary care contractors)
- Involving People
- Performance Review Group
- Area Clinical Forum
- Pharmacy Practices Committee

**Clinical Governance Committee**

The purpose of the Clinical Governance Committee is to assist the NHS Board to deliver its statutory responsibility for the quality of healthcare that it provides. In particular, the Committee will seek to provide assurance to the Board that appropriate systems are in place, which ensures that clinical governance and clinical risk management arrangements are working effectively to safeguard and improve the quality of clinical care.

The membership of the Clinical Governance Committee comprised Prof D H Barlow, Mr R Cleland, Dr C Benton MBE, Mrs P Bryson, Dr D Colville, Dr M Kapasi MBE (from June 2008), Mrs J Murray, Mr A O Robertson OBE, Mr D Sime, Mrs A Stewart MBE and Cllr A Stewart. The committee met six times in 2008/09 and was chaired by Prof D H Barlow.

**Audit Committee**

The purpose of the Audit Committee is to assist the NHS Board to deliver its responsibilities for the conduct of its business, including the stewardship of funds under its control. In particular, the Committee will seek to provide assurance to the NHS Board that an appropriate system of internal control is in place.

During the year, the membership of the Audit Committee comprised Mrs E Smith, Mr P Daniels OBE, Mr P Hamilton, Cllr J Handibode, Mr I Lee (from September 2008), Mrs J Murray, Cllr I Robertson (until November 2008), Mr D Sime and Mrs A Stewart MBE. The committee met six times during 2008/09 and was chaired by Mrs E Smith.

The Committee is supported, in fulfilling its remit, by two Audit Support Groups, one serving the Acute Services Division and the other serving Corporate and Partnerships. Each of the support groups met five times during the year.

**Staff Governance Committee**

The purpose of the Staff Governance Committee is to provide assurance to the Board that NHS Greater Glasgow and Clyde 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, Mr J Bannon MBE, Ms R Dhir MBE, Councillor J McIlwee, Mr A O Robertson OBE, Cllr I Robertson (from February 2009) and Mrs E Smith (until February 2009). The committee met four times in 2008/09 and was jointly chaired by Mr R Cleland and Mr D Sime.

**Research Ethics Governance Committee**

The principal function of the committee is to oversee the NHS Board's responsibilities for the establishment, support, training and monitoring of all NHS Local Research Ethics Committees (LRECS) in NHS Greater Glasgow and Clyde, including a focus on the harmonisation of procedures and the formation of a common set of criteria for considering ethical applications. In January 2009, the committee was reconstituted as the West of Scotland Research Ethics Service Governance Committee. The membership of the committee during 2008/09 comprised Prof D H Barlow, Dr L de Caestecker, Mr R Cleland, Dr D Colville, Dr B N Cowan and Mrs A Stewart MBE. The committee met three times during the year, and was chaired by Prof D H Barlow.

**Disciplinary Committees (for Primary Care Contractors)**

The Disciplinary Committees for family health services are formed by a consortium of West of Scotland NHS Boards. Each Committee (one for each contractor group) meets on an ad hoc basis as required, to consider disciplinary issues referred to it by NHS Boards outwith the consortium. One meeting (of a Dental Disciplinary Committee) was convened during the year.

**Involving People Committee**

The Involving People Committee serves to ensure 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. During the year, the membership of the Involving People Committee comprised Mr P Hamilton, Mr J Bannon MBE, Mr G Carson, Mrs A Coulthard, Cllr J McIlwee, Mrs J Murray and Mrs R K Nijjar. The committee met six times during 2008/09 and was chaired by Mr P Hamilton.

**Performance Review Group**

The Performance Review Group (PRG) 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 has delegated responsibility for property matters, and ensures that there is a coordinated overview of performance across all domains of the Performance Assessment Framework. During the year, the membership of the group comprised Mr A O Robertson OBE, Mr R Cleland, Mr P Daniels OBE, Ms R Dhir MBE, Mr P Hamilton, Mr I Lee (from September 2008), Cllr D Mackay, Mr D Sime, Mrs E Smith, Mrs A Stewart MBE and Cllr D Yates. The group was chaired by Mr A O Robertson OBE, and it met six times last year.

### 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 allied heath professions and healthcare scientists to NHS Greater Glasgow and Clyde, ensuring the involvement of all professions across the local NHS system. The membership of the Area Clinical Forum comprises Dr D Colville, Dr C R Bell, Mr P Bennington, Mr T Downie, Ms R Forrest, Ms G Halyburton, Dr K Hanretty, Ms M Hastings, Mr K Irvine, Ms G Leslie, Ms N McElvanney, Ms L MacGillivray, Ms V Reilly and Ms P Spencer. The committee met six times during 2008/09 and was chaired by Dr D Colville.

### Pharmacy Practices Committee

The NHS Board is required, by the National Health Service (Pharmaceutical Services)(Scotland) Regulations 1995 as amended, to prepare "the pharmaceutical list" – a list of those eligible to provide pharmaceutical services within the Board area. The role of the Pharmacy Practices Committee is to receive and consider applications for inclusion on the pharmaceutical list. The membership of the Pharmacy Practices Committee comprised Mrs A Stewart MBE, Mr P Daniels OBE, Professor J McKie, Mr A Fraser, Ms M Lynch, Mr J Johnson, Mr G Dykes and Mr A MacIntyre. The committee met on twenty-two occasions during 2008/09 and was chaired by Mrs A Stewart MBE.

### Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

### Human Resources

As an Equal Opportunities employer NHS Greater Glasgow & Clyde fully supports the equality and diversity agenda, and believes in employing staff based solely on their ability to undertake the duties of the many wide-ranging and interesting roles within a large, multi-disciplinary and professional organisation such as NHSGGC.

The way in which we manage our staff is important to us. We recognise that our employees are our most valuable resource and therefore seek to provide a supportive working environment for all through a wide range of HR policies to ensure all staff are treated fairly and consistently; have access to additional training through our Learning & Education Plans and the use of both the Knowledge and Skills Framework and Personal Development Plans, together with support for our managers through our OD Framework; have the opportunity to influence service development plans and other matters which affect them; have access to more information on the Board's operational and strategic agendas and policies through Staffnet (our re-vamped intranet site) and the use of staff briefings; and they have an improved, safer and healthier working environment through a new suite of Health and Safety policies as well as health / wellbeing initiatives to improve the health and attendance of staff.

To ensure staff representatives have the opportunity to engage with us across the full range of the Board's activities, we met regularly throughout the year with our staff partners through our Partnership Forums at Board, Acute Division and Health Partnerships levels (as well as with many staff engagement groups at local levels) to take forward our staff governance agenda, with our performance against our 2008/09 Action Plan monitored throughout the year by the Board's Staff Governance Committee comprising of Non-Executive Directors. In common with other Scottish Boards, we undertook a survey of our staff in the second half of the year to learn what they felt about the way they are managed, and towards the end of 2008/09 we began the process of putting in place our 2009/10 Improvement Plan based on our survey responses.

The next five years will see significant changes to the way in which we deliver our acute services, culminating with the opening in South Glasgow, in 2015, of the largest inpatient hospital in the UK with a new children's hospital having already been opened on the same site. We have therefore commenced planning our workforce requirements to ensure we have an appropriately trained and skilled workforce to deliver efficient, effective and equitable services to our future patients. To this end, discussions have been ongoing with West of Scotland Further Education Principals regarding the development of new educational programmes to meet future needs. We have continued our work with higher and further education providers to ensure that we can attract staff from as wide a population as possible, and provide a career path for all staff regardless of their initial level of training. In addition, as a public sector employer we recognise our social responsibilities to the wider population and last year began putting in place a number of employment and training initiatives through the More Choices More Chances Scheme aimed at both the young and longer-term unemployed to improve their employability status.

During 2009/10 we will continue to work to improve the working lives of our staff and assist our management colleagues in delivering ever increasing quality health care and health improvement services to the public.

## OPERATING AND FINANCIAL REVIEW

### PRINCIPAL ACTIVITIES AND REVIEW OF THE YEAR

The NHS Board was established in 1974, under the National Health Service (Scotland) Act 1974, with responsibility for providing health care services for the residents of Greater Glasgow. In 2006, the area covered by the Board was enlarged to include the Clyde area of the former Argyll and Clyde NHS Board. NHS Greater Glasgow and Clyde now serves a population of almost 1.2m.

The NHS Board forms a local health system with and is responsible for improving the health of its local population and delivering the healthcare it requires. The overall purpose of the NHS Board is to ensure the efficient, effective and accountable governance of local NHS systems and to provide strategic leadership and direction for these systems as a whole.

NHSGGC's structure comprises an Acute Division, five Community Health Partnerships (CHP's), six Community Health and Care Partnerships (CHCP's) and other NHS Partnerships covering Mental Health, Learning Disabilities, Addictions and Homelessness services. The CHP's are responsible for managing NHS services only, whereas the CHCP's are joint organisations formed with local authority partners, responsible for managing jointly provided services.

Specific roles of the NHS Board include:

- improving and protecting the health of the local people;
- improving health services for local people;
- focusing clearly on health outcomes and people's experience of their local NHS system;
- promoting integrated health and community planning by working closely with other local organisations; and
- providing a single focus of accountability for the performance of the local NHS system.

The functions of the NHS Board comprise:

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

The major developments during the year included completing the construction of two new ambulatory care hospitals at Stobhill and the Victoria, both of which are funded through PFI contracts. These new hospitals are scheduled to open in May and June 2009 respectively.

In addition, during 2008/09 the Board commenced a number of publicly funded major construction projects including a new build facility at the Maternity Unit at the Southern General Hospital and, in conjunction with Renfrewshire Council, the construction of a new build multi purpose development in Renfrew for health and social work services.

**Financial Performance**

The Scottish Government sets 3 financial targets at NHS Board level on an annual basis. These targets 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.

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

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

| | Limit as set by SGHD £'000 | Actual Outturn £'000 | Variance (Over)/Under £'000 |
|---|---|---|---|
| Revenue Resource limit | 2,046,661 | 2,046,220 | 441 |
| Capital Resource Limit | 123,835 | 123,758 | 77 |
| Cash Requirement | 2,227,577 | 2,227,577 | 0 |

| Memorandum for in-year outturn | £'000 |
|---|---|
| Brought forward surplus from previous financial year | (1,395) |
| Excess against in year Revenue Resource Limit | (954) |

During the year, the provision for bad and doubtful debts decreased from £2.303m as at 1 April 2008, to £2.099m as at 31 March 2009; these figures are included in the note on debtors, Note 13.

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 provided in Note 17.

Details of PFI/PPP projects are provided in Note 24.

**Acute Services Review**

In 2002, the Scottish Executive approved the Health Board's plan for the modernisation of Glasgow's hospitals. This project is divided into two phases and is being implemented over a ten to twelve year period.

Work on Phase 1 was completed during the last 12 months, and comprised:

- the new Beatson West of Scotland Cancer Centre, which opened in April 2007
- the new ambulatory care hospital at Stobhill, scheduled to open in May 2009
- the new ambulatory care hospital at the Victoria scheduled, to open in June 2009

Phase 2 of the strategy will see the construction of two new hospitals on the Southern General site. In April 2008 the Scottish Government approved the Outline Business Case for the project; it will deliver a new children's hospital, a new acute adult hospital and new laboratory facilities on the Southern General Hospital site.

The new South Glasgow adult hospital is due to open in 2015 and will be the largest acute hospital in the UK and one of the most advanced in Europe. It will have one of the largest Accident & Emergency Departments in Scotland with an estimated 110,000 patients coming through its doors every year as well as being home to major specialised services such as renal medicine and transplantation and vascular surgery. The new hospital will have 1,100 beds, in single room accommodation, and twenty operating theatres will offer the best available equipment to staff and patients.

The new adult hospital will be linked to a new children's hospital which will open in 2014 and will provide medical care to children in a safe, child-friendly environment. This new hospital will replace the Royal Hospital for Sick Children at Yorkhill and will also be linked to Maternity Services in order to provide the best possible care for new babies and their mothers.

During the past year, the New South Glasgow Hospitals and Laboratory Project Executive Board was constituted and is chaired by the Director of Acute Services Strategy, Implementation and Planning. The Board will report into the Acute Services Review Programme Board, and its role will be to oversee the overall progress of the project to ensure that the project objectives are achieved. A design team was appointed in March 2009 for the laboratory facility, which will be constructed as an advanced works contract to the main hospital contract. The team will complete the detailed design to enable a firm tender to be submitted in September 2009. An Invitation to Participate in Dialogue was issued to potential bidders in May 2009.

### Patient Exemption Checking

Each year NHS Scotland Counter Fraud Services (CFS) carries out a programme of checks on patients claiming exemption from NHS prescription, dental and ophthalmic charges. These checks are rightly targeted on those areas where the risk of fraud or error is assessed to be highest. As in previous years, CFS has used the results of this testing to produce extrapolations in an attempt to quantify the level of income lost to the NHS due to patient exemption fraud or error. CFS has previously accepted that the basis of these extrapolations is not statistically robust, and therefore the quantification may not be a reliable indicator of the actual level of fraud/error or of any underlying trend. It is not considered that this patient exemption fraud/error arises as a result of any significant weakness in the Board's system of internal control and the NHS Board is satisfied that it, in conjunction with CFS, has taken all reasonable steps to mitigate the risk of patient exemption fraud/error occurring.

### Performance against Key Non Financial Targets

In December 2005 the Scottish Executive issued guidance to Boards requiring them to submit Local Delivery Plans (LDPs), addressing key targets structured around four main sets of objectives; these are known as the HEAT indicators, and cover Health improvement, Efficiency, Access and Treatment. The key performance targets are shown below:

| Health Improvement |
|---|
| Reduce mortality from Coronary Heart Disease among the under 75s in deprived areas |
| 80% of all three to five year old children to be registered with an NHS dentist by 2010/11 |
| Achieve agreed completion rates for child healthy weight intervention programme by 2010/11 |
| Achieve agreed number of screenings using the setting-appropriate screening tool and appropriate alcohol brief intervention, in line with SIGN 74 guidelines by 2010/11 |
| Through smoking cessation services, support 8% of each NHS Board's smoking population in successfully quitting at one month post quit) over the period 2008/09 – 2010/11 |

| |
|---|
| Reduce suicide rate between 2002 and 2013 by 20%, supported by 50% of key frontline staff in mental health and substance misuse services, primary care, and accident and emergency being educated and trained in using suicide assessment tools/ suicide prevention training programmes by 2010 |
| Increase the proportion of newborn children exclusively breastfed at 6-8 weeks from 26.6% in 2006/07 to 33.3% in 2010/11 |
| **Efficiency & Governance** |
| NHS Boards to achieve a sickness absence rate of 4% from 31 March 2009 |
| NHS Boards to operate within their agreed revenue resource limit; operate within their capital resource limit; meet their cash requirement |
| NHS Boards to meet their cash efficiency target |
| NHS Boards to deliver agreed improved efficiencies for first outpatient attendance DNA, non-routine inpatient average length of stay, review to new outpatient attendance ratio and day case rate by March 2011 |
| NHS Boards to ensure that all employees covered by *Agenda for Change* have an agreed KSF personal development plan by March 2009 |
| Universal utilisation of CHI |
| To increase the percentage of new GP outpatient referrals into consultant led secondary care services that are triaged online for clinical priority and appropriate recipient service to 90% from December 2010 |
| **Access** |
| To respond to 75% of Category A calls within 8 minutes from April 2009 onwards across mainland Scotland |
| Ensure that anyone contacting their GP surgery has guaranteed access to a GP, nurse or other health care professional within 48 hours |
| The maximum wait from urgent referral to treatment for all cancers is two months |
| As a milestone in achieving 18 weeks referral to treatment, no patient will wait longer than 15 weeks from GP referral to a first outpatient appointment from 31 March 2009 |
| As a milestone in achieving 18 weeks referral to treatment, no patient will wait longer than 15 weeks for inpatient or day case treatment from 31 March 2009 |
| As a milestone in achieving 18 weeks referral to treatment, no patient will wait longer than six weeks for one of the 8 key diagnostic tests from 31 March 2009 |
| NHS Boards will achieve agreed reductions in the rates of attendance at A&E, from 2006/7 to 2010/11; and from end 2007 no patient will wait more than 4 hours from arrival to admission, discharge or transfer for accident and emergency treatment |
| **Treatment** |
| By 2008/09, we will reduce the proportion of older people (aged 65+) who are admitted as an emergency inpatient two or more times in a single year by 20% compared with 2004/05 and reduce, by 10%, emergency inpatient bed days for people aged 65 and over by 2008 |
| To achieve agreed reductions in the rates of hospital admissions and bed days of patients with primary diagnosis of COPD, Asthma, Diabetes or CHD, from 2006/7 to 2010/11 |
| Reduce the annual rate of increase of defined daily dose per capita of antidepressants to zero by 2009/10, and put in place the required support framework to achieve a 10% reduction in future years |
| Reduce the number of readmissions (within one year for those that have had a psychiatric hospital admission of over seven days by 10% by the end of December 2009) |
| Each NHS Board will achieve agreed improvements in the early diagnosis and management of patients with dementia by March 2011 |
| QIS clinical governance and risk management standards improving |
| To reduce all *staphylococcus aureus* bacteraemia (including MRSA) by 30% by 2010 |
| Increase the level of older people with complex care needs receiving care at home |
| Improvement in the quality of health care experience |

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. NHS Greater Glasgow and Clyde has developed a performance management framework to monitor performance against key targets. A summary of progress against a sample of key targets as at March 2009 is provided below. Further information on performance against targets can be found on the NHSGGC website.

| | |
|---|---|
| Target 2008/09 | Maintain the standard achieved in previous year - no patients waiting over 15 weeks for an inpatient /day case appointment |
| Performance | Achieved |
| Target 2009/10 | Maintain the standard achieved in previous year and ensure no patients wait over 12 weeks for an inpatient /day case appointment |
| Plans | Plans are in place to ensure these targets will be met |
| Target 2008/09 | 80% of all three to five year old children to be registered with an NHS dentist by 2010/11 |
| Performance | Achieved |
| Target 2008/09 | Maintain the standard achieved in previous year - 98% of Accident & Emergency patients are treated and discharged, admitted or transferred within four hours of arrival at the department |
| Performance | Achieved |
| Target 2008/09 | Maintain the standard achieved in previous year - no patient who is clinically ready for discharge should be delayed by more than six weeks |
| Performance | Achieved |
| Target 2009/10 | Maintain the standard achieved in previous year, and ensure that no patient who is clinically ready for discharge should be delayed by more than six weeks |
| Plans | Plans are in place to ensure this standard continues to be met |

As we move into 2009/10, action is underway to ensure that the Board's performance against these national targets is being driven forward. This will be subject to close and regular progress review. Throughout 2008/09 the Board has extended this approach to encompass 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. This comprehensive approach to performance management will be further developed in 2009/10.

### Sustainability and Environmental Reporting

Chaired at Director level, the Sustainability Planning and Implementation Group (PIG) leads in ensuring that NHS Greater Glasgow and Clyde meets its obligations on sustainability including reduction in energy use and carbon footprint within a context of rising fuel costs, and longer term action to manage our environmental and social impact. The group's remit is to drive NHSGGC to be more sustainable, leading the implementation of a comprehensive plan for change covering NHSGGC's role as service provider, employer, procurer, and health improvement organisation. The plan provides a framework for engagement with partner agencies.

Progress made during 2008/09 can be summarised, within the context of the objectives of the Sustainability PIG, as follows:

| Objectives | Progress in 2008/09 |
|---|---|
| 1. Identify priorities for action across the organisation | Sustainability PIG agreed the content of the work plan with named leads adding further detail relating to specific deliverables, indicators and targets. Key challenge is to embed sustainability issue within and across the functions of the whole system. |
| 2. Co-ordinate awareness raising initiatives | NHSGGC Communications Plan for sustainability issues is in development with support from the Corporate Communications Team. |

| Objectives | Progress in 2008/09 |
|---|---|
| 3. Develop approaches to areas of tension or conflict between sustainability priorities and other organizational imperatives | Funding support secured for dedicated post to drive the agenda forward on the whole-system scale required and within a meaningful timeframe. This post will report to the Head of Policy. |
| 4. Ensure there is an appropriate process for decision making on specific initiatives | Report delivered to the Policy Planning and Performance Group summarising progress made on the issue of environmental sustainability within NHSGGC, highlighting challenges in moving this agenda forward and seeking support from PPPG in developing and agreeing solutions to those challenges. |
| 5. Review emerging evidence and best practice and ensure NHSGG&C responds accordingly | Response made to the Climate Change (Scotland) Bill consultation drawing on feedback from across NHSGGC and current literature relating to the role of the NHS in the environmental sustainability context. |
| 6. Co-ordinate our work with the Carbon Trust on the Carbon Management programme | The final draft of the Carbon Plan was submitted to the Carbon Trust at the end of March 2008. NHSGGC signed up to the *Glasgow Climate Change Partnership* and a meeting will take place with the wider Sustainable Glasgow Group to discuss the crossover with our Action Plan and broader, strategic approach to the sustainability agenda. |

## REMUNERATION REPORT

### Remuneration Subcommittee

The Remuneration Subcommittee is a subcommittee of the Staff Governance Committee. Its main role is to ensure the application and implementation of fair and equitable systems for pay and for performance management on behalf of the Board as determined by Scottish Ministers and the Scottish Government Health Directorate.

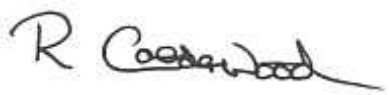
The members of the Remuneration Subcommittee during 2008/09 were Mr A O Robertson OBE, Mr R Cleland, Ms R Dhir MBE, Mr P Hamilton, Mr G McLaughlin, Mr D Sime and Mrs E Smith (from November 2008). The Board Chief Executive and Director of Human Resources may be invited to attend meetings of the Remuneration Subcommittee, where appropriate, to provide advice.

The Subcommittee met on four occasions during 2008/09, and, in accordance with Scottish Government Health Directorate guidance, it determines and reviews the pay arrangements for the NHS Board's senior managers whose posts are part of the Executive and Senior Management Cohorts, and ensures that a fair, equitable and effective system of performance management for these groups is in operation.

The Directors' Remuneration report, shown on the following pages, details Board Members' and Senior Employee's remuneration, in bandings of £5,000. These bandings include any backdated salary payments made, and Board contributions made in respect of national insurance and pension.

As at 31st March 2009 (31st March 2008), the annual salaries of executive board members and other senior employees were as follows:-

T A Divers £147,564 (£139,535); L de Caestecker £145,364 (£142,452); B N Cowan £159,840 (£141,357); R Crocket £120,038 (£113,511); D Griffin £120,038 (£113,511); R Calderwood £141,064 (£132,144).



**R Calderwood**
**Chief Executive**
**23 June 2009**

**REMUNERATION REPORT (continued)**

**BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION - CURRENT YEAR (AUDITED INFORMATION)**

| | 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 2008 | Cash Equivalent Transfer Value (CETV) at 31 March 2009 | Real increase in CETV in year | Benefits in kind |
|---|---|---|---|---|---|---|---|
| **Remuneration of:** | | | | **£'000** | **£'000** | **£'000** | **£'000** |
| **Executive Members** | | | | | | | |
| Chief Executive : T A Divers (until 31/3/09) | 160-165 | 0-5 | 60-65 | 1,220 | 1,410 | 35 | - |
| Director of Public Health : L de Caestecker | 160-165 | 0-5 | 30-35 | 493 | 587 | 16 | 1 |
| Medical Director : B N Cowan | 185-190 | 0-5 | 50-55 | 969 | 1,237 | 136 | 2 |
| Nurse Director : R Crocket | 135-140 | 0-5 | 30-35 | 561 | 702 | 60 | 2 |
| Director of Finance : D Griffin | 130-135 | 0-5 | 20-25 | 386 | 471 | 26 | 3 |
| **Non Executive Members** | | | | | | | |
| The Chair : A O Robertson | 35-40 | - | - | - | - | - | - |
| J Bannon | 5-10 | - | - | - | - | - | - |
| D H Barlow | 5-10 | - | - | - | - | - | - |
| C Benton | 5-10 | - | - | - | - | - | - |
| G Carson | 5-10 | - | - | - | - | - | - |
| R Cleland | 15-20 | - | - | - | - | - | - |
| J Coleman | 15-20 | - | - | - | - | - | - |
| D Colville (until 31/3/09) | 5-10 | - | - | - | - | - | - |
| A Coulthard | 5-10 | - | - | - | - | - | - |
| P Daniels | 5-10 | - | - | - | - | - | - |
| R Dhir | 15-20 | - | - | - | - | - | - |
| P Hamilton | 15-20 | - | - | - | - | - | - |
| J Handibode | 5-10 | - | - | - | - | - | - |
| M Kapasi | 5-10 | - | - | - | - | - | - |
| I Lee ( from 1/7/09) | 5-10 | - | - | - | - | - | - |
| D MacKay | 15-20 | - | - | - | - | - | - |
| J Mc Ilwee | 5-10 | - | - | - | - | - | - |
| G McLaughlin | 15-20 | - | - | - | - | - | - |
| J Murray | 5-10 | - | - | - | - | - | - |
| R Nijjar | 5-10 | - | - | - | - | - | - |
| D Sime (Employee Director - this post is full time and the salary shown relates to the substantive post held) | 55-60 | 0-5 | 10-15 | 196 | 274 | 51 | - |
| I Robertson | 5-10 | - | - | - | - | - | - |
| E Smith | 15-20 | - | - | - | - | - | - |
| Agnes Stewart (until 31/3/09) | 5-10 | - | - | - | - | - | - |
| Amanda Stewart | 5-10 | - | - | - | - | - | - |
| B Williamson | 5-10 | - | - | - | - | - | - |
| D Yates | 15-20 | - | - | - | - | - | - |
| **Other Senior Employees** | | | | | | | |
| Chief Operating Officer, Acute Division : R Calderwood | 165-170 | 0-5 | 65-70 | 1,220 | 1,491 | 103 | - |
| | | | | **5,045** | **6,172** | **427** | **8** |

**Note**

1. CETV figures are notional calculations based on actuarial tables.
2. The salaries shown above contain backdated pay for the prior year as follows:

| | £'000 |
|---|---|
| Medical Director : B N Cowan (In line with NHS Circular PCS (MD) 2008/1) | 28.2 |
| Nurse Director : R Crocket | 2.2 |
| Chief Operating Officer, Acute Division : R Calderwood | 2.6 |

**REMUNERATION REPORT (continued)**

**BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION - PRIOR YEAR (AUDITED INFORMATION)**

| | 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 2007 | Cash Equivalent Transfer Value (CETV) at 31 March 2008 | Real increase in CETV in year | Benefits in kind |
|---|---|---|---|---|---|---|---|
| **Remuneration of:** | | | | **£'000** | **£'000** | **£'000** | **£'000** |
| **Executive Members** | | | | | | | |
| Chief Executive : T A Divers | 155-160 | 0-5 | 55-60 | 886 | 1,220 | 85 | - |
| Director of Public Health : L de Caestecker | 160-165 | 0-5 | 25-30 | 373 | 493 | 37 | 1 |
| Medical Director : B N Cowan | 160-165 | 0-5 | 45-50 | 728 | 969 | 137 | 3 |
| Nurse Director : R Crocket | 125-130 | 0-5 | 30-35 | 441 | 561 | 69 | 2 |
| Director of Finance : D Griffin | 125-130 | 0-5 | 20-25 | 290 | 386 | 39 | 5 |
| **Non Executive Members** | | | | | | | |
| The Chair : A O Robertson (from 1/12/07) | 25-30 | 0-0 | 0-0 | - | - | - | - |
| The Chair : J Arbuthnott (until 30/11/07) | 25-30 | 0-0 | 0-0 | - | - | - | - |
| J Bannon | 5-10 | 0-0 | 0-0 | - | - | - | - |
| D H Barlow | 5-10 | 0-0 | 0-0 | - | - | - | - |
| C Benton (from 1/4/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| G Carson | 10-15 | 0-0 | 0-0 | - | - | - | - |
| R Cleland | 15-20 | 0-0 | 0-0 | - | - | - | - |
| J Coleman | 10-15 | 0-0 | 0-0 | - | - | - | - |
| D Collins (until 2/5/07) | 0-5 | 0-0 | 0-0 | - | - | - | - |
| D Colville (from 2/7/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| P Daniels (from 1/4/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| R Dhir | 15-20 | 0-0 | 0-0 | - | - | - | - |
| R Duncan (until 2/5/07) | 0-5 | 0-0 | 0-0 | - | - | - | - |
| T Fyfe (until 2/5/07) | 0-5 | 0-0 | 0-0 | - | - | - | - |
| P Hamilton | 15-20 | 0-0 | 0-0 | - | - | - | - |
| J Handibode | 5-10 | 0-0 | 0-0 | - | - | - | - |
| M Kapasi | 5-10 | 0-0 | 0-0 | - | - | - | - |
| G Leslie (until 28/6/07) | 0-5 | 0-0 | 0-0 | - | - | - | - |
| D MacKay (from 2/7/07) | 10-15 | 0-0 | 0-0 | - | - | - | - |
| J Mc Ilwee (from 2/7/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| G McLaughlin | 15-20 | 0-0 | 0-0 | - | - | - | - |
| J Murray | 5-10 | 0-0 | 0-0 | - | - | - | - |
| R Nijjar | 5-10 | 0-0 | 0-0 | - | - | - | - |
| A Coulthard (nee Paul) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| I Robertson (from 2/7/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| D Sime (Employee Director - this post is full time and the salary shown relates to the substantive post held) | 55-60 | 0-5 | 10-15 | 161 | 196 | 84 | - |
| E Smith | 15-20 | 0-0 | 0-0 | - | - | - | - |
| Agnes Stewart | 5-10 | 0-0 | 0-0 | - | - | - | - |
| Amanda Stewart (from 2/7/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| T Williams (to 2/5/07) | 5-10 | 0-0 | 0-0 | - | - | - | - |
| B Williamson | 5-10 | 0-0 | 0-0 | - | - | - | - |
| D Yates (from 2/7/07) | 10-15 | 0-0 | 0-0 | - | - | - | - |
| **Other Senior Employees** | | | | | | | |
| Chief Operating Officer, Acute Division : R Calderwood | 150-155 | 0-5 | 60-65 | 923 | 1,220 | 139 | - |
| | | | | **3,802** | **5,045** | **590** | **11** |

**Note**

1. CETV figures are notional calculations based on actuarial tables.
2. The salaries shown above contain backdated pay for the prior year as follows:

| | £'000 |
|---|---|
| Chief Executive : T A Divers | 3 |
| Nurse Director : R Crocket | 2 |
| Director of Finance : D Griffin | 2 |
| Employee Director : D Sime | 3 |
| Chief Operating Officer, Acute Division : R Calderwood | 3 |

3. CETV figures for 2007/08 were amended to reflect updated guidance provided by SPPA in May 2009.

## 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 Government has appointed me as Accountable Officer of Greater Glasgow Health Board.

This designation carries with it, responsibility for:

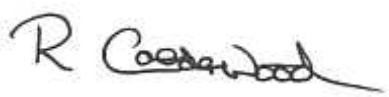
- the propriety and regularity of financial transactions under my control;
- for the economical, efficient and effective use of resources placed at the Board's disposal; and
- safeguarding the assets of the Board.

In preparing the Accounts I am required to comply with the requirements of the government's Financial Reporting Manual and in particular to

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed and disclose and explain any material departures
- prepare the accounts on a going concern basis.

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 Officer's letter to me of 23 March 2009.

Signed



**R Calderwood**
**Chief Executive**
**NHS Greater Glasgow and Clyde** **23 June 2009**

## 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 2009 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

**D Griffin**
**Director of Finance**

**A O Robertson**
**Chairman** **23 June 2009**

## 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.

In terms of enabling me to discharge my responsibilities as Accountable Officer, the following arrangements and processes were in place throughout the financial year:

- a Board which meets regularly to consider the plans and strategic direction of the organisation, and consists of both executive and non executive members;
- single system governance and management arrangements with clear supporting lines of accountability and an agreed scheme of delegation and standing orders;
- the consideration by the Board of periodic reports from the chairs of the staff governance, clinical governance and audit committees, concerning any significant matters on governance and internal controls;
- a robust Risk Management Strategy, as well as a robust prioritisation methodology based on risk ranking; and
- a strong focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically, taking into consideration equal opportunities and sustainable development requirements.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

### 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 nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers in the SPFM and supplementary NHS guidance and has been in place for the year up to the date of approval of the annual report and accounts.

### Risk and Control Framework

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

NHS Greater Glasgow and Clyde has in place a Risk Management Strategy; this strategy includes having a Risk Management Steering Group (RMSG), which is responsible for developing a single system of risk management for NHS Greater Glasgow and Clyde, and overseeing the development of strategy and infrastructure then monitoring implementation of associated plans to co-ordinate the management of risk across the NHS Board using a consistent methodology and set of standards. The RMSG has its line of reporting to the Planning, Policy and Performance Group. Chaired by the Director of Finance, the RMSG's key remit continued to be the oversight of the development of risk management arrangements within NHS Greater Glasgow and Clyde.

The key elements of the NHS Board's risk management arrangements are the Risk Management Strategy, the Risk Register Policy and the Corporate Risk Register. The Corporate Risk Register was fully reviewed during the year, and the updated register was presented to the Audit Committee in January 2009. It summarises the main risks identified within each of the organisational elements of NHS Greater Glasgow and Clyde and the processes by which these risks were managed. In addition, a new web-based single system incident reporting database was established during the year.

There are training programmes, available to all staff, which include training on risk assessment, hazardous substances, general awareness of safety and display screen equipment risks. Practical training sessions provided by the organisation include a range of moving and handling training for staff primarily involved in patient handling, and also training for staff that may be exposed to violence and aggression. Both moving and handling and violence and aggression training courses are based on a robust training needs analysis and the concept of risk assessment is a fundamental component of the training.

Taking account of the work done, I consider that we have taken appropriate steps to ensure that we have discharged our responsibilities in relation to the management of risk.

Over the last twelve months, the Information Governance agenda has been significantly progressed. In April 2008, an Information Governance Manager was appointed, with responsibility for the co-ordination of the implementation of new governance arrangements across NHSGGC. The Information Governance Manager is supported in this by a Senior Information Risk Officer, also appointed during the year. The Information Governance Steering Group was fully operational and a health board-wide Records Management Steering Group has been established under clinical leadership. All Information Governance policies have been reviewed and refreshed or rewritten. Eleven of the thirteen policies have been through the approval process and await final sign-off. The final two will be going through the approvals process in early summer 2009. The Information Governance Steering Group meets at least quarterly and reports through the Director of Health Information Technology to the Board's Planning Policy and Performance Group and NHS Board to ensure that the risks around information management are regularly assessed.

The Information Governance agenda will continue to have the highest priority during 2009/10 and will feature prominently in Directorate operational reviews and staff objectives.

More generally, the organisation 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. In particular, in the period covering the year to 31 March 2009 and up to the signing of the accounts the organisation has continued to adapt its governance arrangements to take account of changes within its internal organisational structure. It has also continued to enhance and harmonise its governance arrangements to support the organisational structure, including the annual review of corporate governance.

The NHS Board is committed to best value through, for example, the ongoing developments within our Acute Services Review, which will provide more efficient and effective delivery of patient care. There are also arrangements in place whereby the national performance reports issued by Audit Scotland are considered and local action plans are developed where appropriate. The NHS Board also has in place a process for organisational review, with action plans to address any recommendations for improvements, and is also subject to an annual review process by the Scottish Government Health Directorates, again with plans developed to address any issues raised.

**Review of Effectiveness**

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

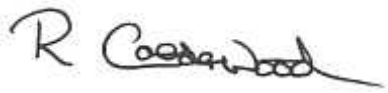
- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- and comments made by the external auditors in their management letters and other reports.

The control mechanisms are overseen and continually evaluated by the NHS Board, its standing committees (as detailed in the Directors' Report) and a number of other groups including

- the Remuneration Subcommittee, which is a subcommittee of the Staff Governance Committee and deals with all aspects of the Executive Pay arrangements;
- the Risk Management Steering Group
- the Information Governance Steering Group

I have been advised in my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Steering Group and plans to address weaknesses and ensure continuous improvement of the system are in place.

During 2008/09 there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.



**R Calderwood**
**Chief Executive and Accountable Officer**
**23 June 2009**

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

I have audited the financial statements of NHS Greater Glasgow and Clyde for the year ended 31 March 2009 under the National Health Service (Scotland) Act 1978. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Respective responsibilities of the Board, Accountable Officer and auditor**

The Board and Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration 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.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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.

I report to you my 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 have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Operating and Financial Review and Directors' Report, included in the Annual Report, is consistent with the financial statements. I 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.

In addition, I report to you if, in my opinion, the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the board's compliance with the Scottish Government Health Directorate's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I 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 that part of the Remuneration Report that has not been audited. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinion**

I conducted my 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. My 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 most appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinions**

*Financial statements*

In my opinion

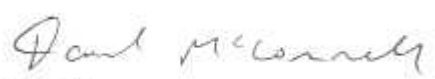
- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the board as at 31 March 2009 and of its net operating cost position, recognised gains and losses and cash flows for the year then ended;
- 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; and
- information which comprises the management commentary included with the Annual Report is consistent with the financial statements.

*Equal Pay*

Without qualifying our opinion we draw attention to Note 21 to the financial statements. The Board has received a number of claims under the Equal Pay Act 1970 claiming compensation for inequalities under previous pay arrangements. The NHS Scotland Central Legal Office has co-ordinated the legal response to all claims and has advised that the claims are not specific enough for any estimate of the potential liability to be made. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

*Regularity*

In my opinion 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.



David McConnell
Assistant Director of Audit (Health)
Audit Scotland
7th floor, Plaza Tower
EAST KILBRIDE
G74 1LW

23 June 2009

## Operating Cost Statement

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Clinical Services Costs** | | | |
| Hospital and Community | 4 | **2,071,511** | 2,017,868 |
| Less: Hospital and Community Income | 8 | **398,178** | 394,325 |
| | | **1,673,333** | 1,623,543 |
| Family Health | 5 | **553,817** | 536,391 |
| Less: Family Health Income | 8 | **20,924** | 23,140 |
| | | **532,893** | 513,251 |
| **Total Clinical Services Costs** | | **2,206,226** | 2,136,794 |
| Administration Costs | 6 | **12,295** | 13,094 |
| Less: Administration Income | 8 | **205** | - |
| | | **12,090** | 13,094 |
| Other Non Clinical Services | 7 | **47,241** | 51,312 |
| Less: Other Operating Income | 8 | **56,740** | 46,756 |
| | | **(9,499)** | 4,556 |
| **Net Operating Costs** | 19 | **2,208,817** | 2,154,444 |

### SUMMARY OF REVENUE RESOURCE OUTTURN

| | | | |
|---|---|---|---|
| **Net Operating Costs (per above)** | | **2,208,817** | 2,154,444 |
| Less: Capital Grants to Other Bodies | 9 | **(3,972)** | (5,066) |
| Less: Profit/(Loss) on disposal of fixed assets | 9 | **(1,803)** | 27 |
| Less: Annually Managed Expenditure (Write Downs) | | **(10,101)** | (12,830) |
| Less: FHS Non Discretionary Allocation | | **(146,721)** | (123,600) |
| **Net Resource Outturn** | | **2,046,220** | 2,012,975 |
| Revenue Resource Limit | | **2,046,661** | 2,014,370 |
| **Saving against Revenue Resource Limit** | | **441** | 1,395 |

## Statement of Recognised Gains and Losses

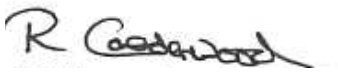
| | Note | **2009 £'000** | 2008 £'000 |
|---|---|---|---|
| Net gain/(loss) on revaluation of tangible fixed assets | 11 | **(116,825)** | 34,765 |
| Net loss on revaluation of intangible fixed assets | 10 | **(252)** | - |
| Movement in Donated Asset Reserve due to receipts | 20 | **772** | 2,426 |
| **Total recognised gains and (losses) for the year** | | **(116,305)** | 37,191 |

### Balance Sheet

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible Fixed Assets | 10 | **768** | 322 |
| Tangible fixed assets | 11 | **1,309,606** | 1,396,968 |
| **Total Fixed Assets** | | **1,310,374** | 1,397,290 |
| **Debtors falling due after more than one year** | 13 | **40,132** | 48,137 |
| **CURRENT ASSETS** | | | |
| Stocks | 12 | **20,244** | 22,348 |
| Debtors | 13 | **89,414** | 56,696 |
| Investments | 14 | **1** | 1 |
| Cash at bank and in hand | 15 | **1,121** | 9,594 |
| | | **110,780** | 88,639 |
| **CURRENT LIABILITIES** | | | |
| Creditors due within one year | 16 | **(351,660)** | (424,448) |
| **Net current liabilities** | | **(240,880)** | (335,809) |
| **Total assets less current liabilities** | | **1,109,626** | 1,109,618 |
| **CREDITORS DUE AFTER MORE THAN 1 YEAR** | 16 | **(1,938)** | - |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | 17 | **(141,068)** | (114,323) |
| | | **966,620** | 995,295 |
| **FINANCED BY:** | | | |
| General Fund | 19 | **695,192** | 596,515 |
| Revaluation Reserve | 20 | **259,739** | 386,556 |
| Donated Asset Reserve | 20 | **11,689** | 12,224 |
| | | **966,620** | 995,295 |

**Adopted by the Board on 23 June 2009**

**D Griffin**
**Director of Finance**



**R Calderwood**
**Chief Executive**

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

## Cash Flow Statement

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **NET OPERATING CASHFLOW** | | | |
| Net cash outflow from operating activities | | **(2,128,039)** | (2,011,254) |
| **CAPITAL EXPENDITURE** | | | |
| Payment to acquire fixed assets | | **(145,784)** | (110,997) |
| Receipts from sales of fixed assets | | **8,494** | 6,469 |
| Net cash outflow for capital expenditure | | **(137,290)** | (104,528) |
| Net cash outflow before Financing | | **(2,265,329)** | (2,115,782) |
| **FINANCING** | | | |
| Funding | 19 | **2,265,329** | 2,115,782 |
| Movement in general fund working capital | 19 | **(7,894)** | 9,766 |
| Cash drawn down | | **2,257,435** | 2,125,548 |
| Net cash inflow from financing | | **2,257,435** | 2,125,548 |
| **Increase/(decrease) in cash in year** | | **(7,894)** | 9,766 |

**NOTES**

**1. Reconciliation of operating cost to operating cash flow**

| | | | |
|---|---|---|---|
| Net Operating Cost for the year | | **(2,208,817)** | (2,154,444) |
| Expenditure not involving payment of cash | 3 | **120,742** | 111,937 |
| Net movement on working capital | 18 | **(39,964)** | 31,253 |
| Operating cash outflow | | **(2,128,039)** | (2,011,254) |

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

| | | | |
|---|---|---|---|
| Increase/(decrease) in cash in year | | **(7,894)** | 9,766 |
| Net (debt)/cash at 1 April | 15 | **9,015** | (751) |
| **Net cash at 31 March** | 15 | **1,121** | 9,015 |

## 1. ACCOUNTING POLICIES

### a) Authority

The Accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The particular accounting policies adopted by the Health Board follow UK generally accepted accounting practice (UK GAAP), as applied to the public sector in the FReM to the extent that they are meaningful and appropriate and are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 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 Government Health Directorate within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit will be credited to the general fund.

All other income receivable by the Board that is not classed as funding is recognised in the period in which it is receivable.

Non discretionary funding outwith the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

Funding for the acquisition of fixed assets received from the Scottish Government Health Directorate is credited to the general fund when cash is drawn down.

### e) Fixed Assets

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

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

**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.
- 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.
- Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

**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 Government Health Directorate. In addition, in accordance with SGHD 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 under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value.

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

- specialised operational assets have been valued on a modified replacement cost basis to take account of modern substitute building materials only;
- no adjustment has been made to the cost figures of operational assets in respect of dilapidations;
- 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) 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.

**v) 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 donated asset reserve, and the accounting treatment, including the method of valuation, follows the rules in the NHS 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 asset reserve.

**vi) 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, the resulting gain or loss on disposal will be recorded in the Operating Cost Statement.

Where assets are scheduled for disposal and their net book value exceeds their open market value, accelerated depreciation is applied so that the asset reaches open market value at the point at which the asset is taken out of operational use.

**vii) 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.

**viii) Carbon Emissions (Intangible Assets)**

A cap and trade scheme gives rise to an asset for allowances held, a government grant (income) and a liability for the obligation to deliver allowances equal to emissions that have been made.

Intangible Assets, such as EU Greenhouse Gas Emission Allowances intended to be held for use on a continuing basis whether allocated by government or purchased should be classified as intangible assets. Allowances that are issued for less than their fair value shall be measured initially at their fair value.

When allowances are issued for less than their fair value, the difference between the amount paid and fair value is revaluation and charged to deferred income. The deferred income account should be charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

A provision should be recognised for the obligation to deliver allowances equal to emissions that have been made. It should be measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This will usually be the present market price of the number of allowances required to cover emissions made up to the balance sheet date.

**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, for which related expenditure is separately identifiable, the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and affordability in the context of the Health Board's operations, and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital. 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) General Fund Debtors and Creditors**

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

**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 participates in the NHS Superannuation Scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the Board. The Board is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the operating cost statement represents the contributions payable to the scheme in respect of the year.

**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 Government Health Directorate. Clinical negligence costs may also be reimbursed in part by the SGHD.

**l) Related Party Transactions**

Material related party transactions are disclosed in the directors' report in line with the requirements of FRS 8. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

**m) 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.

**q) Corresponding Amounts**

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, FRS 28 'corresponding amounts' requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

**r) Financial Instruments**

**i) Financial Assets**

**Classification**

The NHS Board classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the balance sheet.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

**Recognition and measurement**

Financial assets are recognised when the NHS Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the NHS Board has transferred substantially all risks and rewards of ownership.

(1) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(2) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the NHS Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

(3) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the operating cost statement. Dividends on available-for-sale equity instruments are recognised in the operating cost statement when the NHS Board's right to receive payments is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

The NHS Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the operating cost statement. Impairment losses recognised in the operating cost statement on equity instruments are not reversed through the income statement.

**ii) Financial Liabilities**

**Classification**

The NHS Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(2) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The NHS Board's other financial liabilities comprise trade and other payables in the balance sheet.

**Recognition and measurement**

Financial liabilities are recognised when the NHS Board becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(2) Other financial liabilities

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

**2. (a) STAFF NUMBERS AND COSTS**

| | Executive Board Members £'000 | Non Executive Members £'000 | Permanent Staff £'000 | Inward Secondees £'000 | Other Staff £'000 | Outward Secondees £'000 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|---|---|---|---|
| **STAFF COSTS** | | | | | | | | |
| Salaries and wages | 682 | 361 | 1,097,654 | - | - | (10,394) | **1,088,303** | 1,067,608 |
| Social security costs | 82 | 22 | 92,701 | - | - | (1,027) | **91,778** | 85,659 |
| NHS scheme employers' costs | 99 | 4 | 124,577 | - | - | (1,412) | **123,268** | 114,242 |
| Inward secondees | - | - | - | 11,620 | - | - | **11,620** | 10,125 |
| Agency staff | - | - | - | - | 22,687 | - | **22,687** | 22,390 |
| | 863 | 387 | 1,314,932 | 11,620 | 22,687 | (12,833) | **1,337,656** | 1,300,024 |
| Compensation for loss of office | 150 | - | 1,012 | - | - | - | **1,162** | 1,063 |
| **TOTAL** | **1,013** | **387** | **1,315,944** | **11,620** | **22,687** | **(12,833)** | **1,338,818** | 1,301,087 |

| **STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)** | **2009 ANNUAL MEAN** | 2008 ANNUAL MEAN |
|---|---|---|
| Administration Costs | **123.7** | 135.6 |
| Hospital and Community Services | **35,174.5** | 35,428.4 |
| Non Clinical Services | **204.4** | 195.1 |
| Other, including recharge Trading Accounts | **98.7** | 106.2 |
| Inward secondees | **202.3** | 176.3 |
| Outward secondees | **(223.5)** | (182.4) |
| **Board Total Average Staff** | **35,580.1** | 35,859.2 |
| Disabled Staff | **148.0** | 146.0 |

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland.
Details of the scheme are in note 25.

| **2. (b) HIGHER PAID EMPLOYEES REMUNERATION** | **2009 Number** | 2008 Number |
|---|---|---|
| The number of employees whose remuneration fell within the following ranges is: | | |
| **Clinicians** | | |
| £ 50,000 to £ 60,000 | **340** | 348 |
| £ 60,001 to £ 70,000 | **289** | 276 |
| £ 70,001 to £ 80,000 | **212** | 215 |
| £ 80,001 to £ 90,000 | **189** | 150 |
| £ 90,001 to £100,000 | **161** | 161 |
| £100,001 to £110,000 | **184** | 208 |
| £110,001 to £120,000 | **212** | 193 |
| £120,001 to £130,000 | **164** | 166 |
| £130,001 to £140,000 | **103** | 102 |
| £140,001 to £150,000 | **77** | 50 |
| £150,001 and above | **78** | 56 |
| **Other** | | |
| £ 50,000 to £ 60,000 | **307** | 221 |
| £ 60,001 to £ 70,000 | **100** | 89 |
| £ 70,001 to £ 80,000 | **40** | 26 |
| £ 80,001 to £ 90,000 | **14** | 13 |
| £ 90,001 to £100,000 | **11** | 8 |
| £100,001 to £110,000 | **8** | 4 |
| £110,001 to £120,000 | **4** | 1 |
| £120,001 to £130,000 | **1** | 0 |
| £130,001 to £140,000 | **0** | 1 |

### 3. OTHER OPERATING COSTS

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Expenditure Not Paid In Cash** | | | |
| Depreciation | 10, 11 | **79,154** | 78,049 |
| Cost of Capital | 19 | **35,959** | 33,315 |
| Impairments Charge | 11 | **3,575** | 600 |
| Revaluation EC Carbon Emissions taken to Govt Grant | | **252** | - |
| Loss/(Profit) on disposal of purchased fixed assets | | **1,802** | (27) |
| **Total Expenditure Not Paid In Cash** | | **120,742** | 111,937 |
| **Travel, Subsistence and Hospitality** | | **21,103** | 19,409 |
| **Operating Lease Rentals:** | | | |
| Hire of equipment (including vehicles) | | **4,875** | 4,403 |
| Other operating leases | | **4,335** | 5,493 |
| **Total** | | **9,210** | 9,896 |
| **Aggregate Rentals Receivable in the year** | | | |
| Total of finance & operating leases | | **-** | 70 |
| **Statutory Audit** | | | |
| External auditor's remuneration and expenses | | **693** | 687 |
| **PFI/PPP and Similar Contracts** | | | |
| Service charge relating to off-balance-sheet PFI/PPP contracts | | **11,612** | 10,067 |

## 4. HOSPITAL AND COMMUNITY HEALTH SERVICES

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| **BY PROVIDER** | | |
| Treatment in Board area of NHSScotland patients | **1,872,957** | 1,841,562 |
| Other NHSScotland bodies | **41,879** | 17,313 |
| Health bodies outside Scotland | **1,473** | 673 |
| Primary care bodies | **80** | 83 |
| Private sector | **20,716** | 20,061 |
| **Community Care** | | |
| Support Finance | **653** | 7,395 |
| Resource Transfer | **113,650** | 110,200 |
| Contributions toVoluntary Bodies and Charities | **18,198** | 18,771 |
| **Total NHS Scotland Patients** | **2,069,606** | 2,016,058 |
| Treatment of UK residents based outside Scotland | **1,905** | 1,810 |
| **Total Hospital & Community Health Service** | **2,071,511** | 2,017,868 |
| **BY SERVICE CATEGORY** | | |
| Acute services | **1,270,049** | 1,256,932 |
| Maternity services | **89,545** | 87,126 |
| Geriatric assessment | **79,851** | 80,269 |
| Mental health services | **177,808** | 160,740 |
| Learning disability | **27,285** | 33,681 |
| Geriatric long stay | **15,385** | 12,504 |
| Young physically disabled | **6,200** | 5,445 |
| Other community services | **312,116** | 276,908 |
| Other services | **51,663** | 58,487 |
| Total Care Expenditure | **2,029,902** | 1,972,092 |
| Additional Costs of Teaching | **16,999** | 18,151 |
| Research & Development | **13,332** | 14,118 |
| UK Residents based outside Scotland | **1,905** | 1,810 |
| Other | **9,373** | 11,697 |
| **Total as Above** | **2,071,511** | 2,017,868 |

### 5. FAMILY HEALTH SERVICE EXPENDITURE

| | Unified Budget | Non Discretionary | Total 2009 | 2008 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| General Medical Services | 157,765 | - | **157,765** | 156,076 |
| Pharmaceutical Services | 233,256 | 45,713 | **278,969** | 273,880 |
| General Dental Services | 1,528 | 92,356 | **93,884** | 84,386 |
| General Ophthalmic Services | 349 | 22,850 | **23,199** | 22,049 |
| **Total Family Health Services Expenditure** | **392,898** | **160,919** | **553,817** | 536,391 |

### 6. ADMINISTRATION COSTS

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Board Members' Remuneration | **1,400** | 1,197 |
| Administration of Board Meetings and Committees | **619** | 503 |
| Corporate Governance and Statutory Reporting | **2,007** | 1,637 |
| Health Planning, Commissioning and Performance Reporting | **6,586** | 7,341 |
| Treasury Management and Financial Planning | **291** | 288 |
| Public Relations | **1,022** | 1,020 |
| Other | **370** | 1,108 |
| **Total Administration Costs** | **12,295** | 13,094 |

### 7. OTHER NON CLINICAL SERVICES

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Compensation payments - Clinical | **12,838** | 14,255 |
| Compensation payments - Other | **780** | 3,028 |
| Pension enhancement & redundancy | **7,146** | 6,262 |
| Patients' Travel Attending Hospitals | **490** | 474 |
| Health Promotion | **14,944** | 15,052 |
| Public Health | **1,015** | 1,005 |
| Public Health Medicine Trainees | **795** | 969 |
| Emergency Planning | **108** | 99 |
| Loss on disposal of fixed assets | **1,807** | 21 |
| Other | **7,318** | 10,147 |
| **Total Other Non Clinical Services** | **47,241** | 51,312 |

## 8. OPERATING INCOME

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **HCH Income** | | |
| **NHSScotland Bodies** | | |
| - SGHD | **10,914** | 10,764 |
| - Boards | **350,327** | 350,166 |
| **Non NHS** | | |
| Private Patients | **142** | 41 |
| RTA Income | **2,384** | 1,812 |
| Other HCH income | **34,411** | 31,542 |
| **Total HCH Income** | **398,178** | 394,325 |
| **FHS Income** | | |
| Discretionary | **6,725** | 9,835 |
| **Non Discretionary** | | |
| General Dental Services | **14,192** | 13,297 |
| General Ophthalmic Services | **7** | 8 |
| **Total FHS Income** | **20,924** | 23,140 |
| **Administration Income** | **205** | - |
| **Other Operating Income** | | |
| NHS Bodies | **4,971** | 1,195 |
| Contributions in respect of Clinical/ medical negligence claims | **12,853** | 17,089 |
| Profit on disposal of fixed assets | **4** | 48 |
| Transfer from Donated Asset Reserve in respect of Depreciation | **1,050** | 1,196 |
| Interest Received | **34** | 58 |
| Other | **37,828** | 27,170 |
| **Total Other Operating Income** | **56,740** | 46,756 |
| **Total Income** | **476,047** | 464,221 |
| Of the above, the amount derived from NHS bodies is | **355,298** | 351,361 |

### 9. ANALYSIS OF CAPITAL EXPENDITURE

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **EXPENDITURE** | | | |
| Acquisition of Intangible Fixed Assets | 10 | **798** | 120 |
| Acquisition of Tangible Fixed Assets | 11 | **121,036** | 117,674 |
| Donated Asset Additions | 11 | **772** | - |
| Capital Grants to Other Bodies | | **3,972** | 5,066 |
| (Profit)/Loss on Disposal of Fixed Assets | | **1,803** | (27) |
| **Gross Capital Expenditure** | | **128,381** | 122,833 |
| **INCOME** | | | |
| Net book value of disposal of Intangible Fixed Assets | 10 | **-** | 315 |
| Net book value of disposal of Tangible Fixed Assets | 11 | **4,623** | 185 |
| **Capital Income** | | **4,623** | 500 |
| **Net Capital Expenditure** | | **123,758** | 122,333 |
| **Summary of Capital Resource Outturn** | | | |
| Net capital expenditure as above | | **123,758** | 122,333 |
| Capital Resource Limit | | **123,835** | 122,733 |
| **Saving against Capital Resource Limit** | | **77** | 400 |

### 10. INTANGIBLE FIXED ASSETS

| | Software Licences £'000 | EC Carbon Emissions £'000 | Total £'000 |
|---|---|---|---|
| **Cost or Valuation:** | | | |
| As at 1st April 2008 | 931 | - | 931 |
| Additions | - | 798 | 798 |
| Revaluation | - | (252) | (252) |
| **At 31st March 2009** | **931** | **546** | **1,477** |
| **Amortisation** | | | |
| At 1st April 2008 | 609 | - | 609 |
| Provided during the year | 100 | - | 100 |
| **At 31st March 2009** | **709** | **-** | **709** |
| **Net Book Value at 1st April 2008** | 322 | - | 322 |
| **Net Book Value at 31 March 2009** | **222** | **546** | **768** |

**11. (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 2008 | 1,263,891 | 1,977 | 2,197 | 279,136 | 35,130 | 4,275 | 162,063 | 1,748,669 |
| Additions | 11,267 | - | - | 524 | 896 | - | 108,349 | 121,036 |
| Completions | 85,155 | - | 104 | 27,845 | 15,888 | 1,709 | (130,701) | - |
| Transfers | - | - | - | (5,345) | - | - | - | (5,345) |
| Revaluation | (302,105) | (1,005) | - | - | - | - | (1,545) | (304,655) |
| Impairment Charge | (3,575) | - | - | - | - | - | - | (3,575) |
| Disposals | (5,508) | - | (78) | (3,445) | - | - | (3,701) | (12,732) |
| **At 31 March 2009** | **1,049,125** | **972** | **2,223** | **298,715** | **51,914** | **5,984** | **134,465** | **1,543,398** |
| **Depreciation** | | | | | | | | |
| At 1 April 2008 | 169,082 | 195 | 1,445 | 169,134 | 21,362 | 2,707 | - | 363,925 |
| Provided during the year | 51,554 | 61 | 219 | 20,313 | 6,345 | 562 | - | 79,054 |
| Transfers | - | - | - | (1,302) | - | - | - | (1,302) |
| Revaluation | (187,831) | (256) | - | - | - | - | - | (188,087) |
| Disposals | (5,358) | - | (76) | (2,675) | - | - | - | (8,109) |
| **At 31 March 2009** | **27,447** | **-** | **1,588** | **185,470** | **27,707** | **3,269** | **-** | **245,481** |
| Net book value at 1 April 2008 | 1,094,809 | 1,782 | 752 | 110,002 | 13,768 | 1,568 | 162,063 | 1,384,744 |
| **Net book value at 31 March 2009** | **1,021,678** | **972** | **635** | **113,245** | **24,207** | **2,715** | **134,465** | **1,297,917** |
| **Open market value of Land and Dwellings included above** | **11,530** | **-** | | | | | | |

**11. (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 2008 | 10,034 | - | 137 | 22,382 | 231 | 24 | 574 | 33,382 |
| Additions | 238 | - | - | - | - | - | 534 | 772 |
| Completions | - | - | - | 86 | - | - | (86) | - |
| Transfers | - | - | - | - | - | - | - | - |
| Revaluation | (1,836) | - | - | - | - | - | - | (1,836) |
| Disposals | - | - | - | (27) | - | - | - | (27) |
| **At 31 March 2009** | **8,436** | - | **137** | **22,441** | **231** | **24** | **1,022** | **32,291** |
| **Depreciation** | | | | | | | | |
| At 1 April 2008 | 1,309 | - | 123 | 19,507 | 195 | 24 | - | 21,158 |
| Provided during the year | 331 | - | 4 | 699 | 16 | - | - | 1,050 |
| Revaluation | (1,579) | - | - | - | - | - | - | (1,579) |
| Disposals | - | - | - | (27) | - | - | - | (27) |
| **At 31 March 2009** | **61** | - | **127** | **20,179** | **211** | **24** | **-** | **20,602** |
| Net book value at 1 April 2008 | 8,725 | - | 14 | 2,875 | 36 | - | 574 | 12,224 |
| **Net book value at 31 March 2009** | **8,375** | - | **10** | **2,262** | **20** | **-** | **1,022** | **11,689** |
| **Open market value of Land and Dwellings included above** | **23** | **-** | | | | | | |

| 11. (c) FIXED ASSET DISCLOSURES | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Net book value of tangible fixed assets at 31 March** | | |
| Purchased | **1,297,917** | 1,384,744 |
| Donated | **11,689** | 12,224 |
| **Total** | **1,309,606** | 1,396,968 |
| Net book value related to land valued at open market value at 31 March | **11,553** | 9,980 |

Land and Buildings were revalued by the Valuation Office Agency as at 31st March 2009. The net impact was a reduction in value for Purchased Assets of £116.6m which was debited to the revaluation reserve and a reduction in value for Donated Assets of £257k, which was debited to the donation reserve.

| 12. STOCK | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Raw Materials and Consumables | **20,244** | 22,348 |
| **Total Stock** | **20,244** | 22,348 |

| 13. DEBTORS | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Debtors due within one year** | | |
| **NHSScotland** | | |
| - SGHD | **-** | 70 |
| - Boards | **31,175** | 14,748 |
| **Total NHSScotland Debtors** | **31,175** | 14,818 |
| General Fund Debtor | **-** | 579 |
| VAT recoverable | **3,266** | 2,835 |
| Prepayments and accrued income | **7,812** | 6,601 |
| Other Debtors | **29,053** | 20,922 |
| Reimbursement of provisions | **17,490** | 10,941 |
| Other Public Sector Bodies | **618** | - |
| **Total Debtors due within one year** | **89,414** | 56,696 |
| **Debtors due after more than one year** | | |
| Prepayments and accrued income | **142** | 87 |
| Other Debtors | **24,840** | 28,450 |
| Reimbursement of Provisions | **15,150** | 19,600 |
| **Total Debtors due after more than one year** | **40,132** | 48,137 |
| **Total Debtors** | **129,546** | 104,833 |
| The total debtors figure above includes a provision for bad debts of : | **2,099** | 2,303 |

| Movements on the provision for impairment of debtors are as follows: | £'000 |
|---|---|
| At 1 April 2008 | 2,303 |
| Provision for debtors impairment | 1,198 |
| Debtors written off during the year as uncollectable | (144) |
| Unused amounts reversed | (1,258) |
| At 31 March 2009 | 2,099 |

As of 31 March 2009, debtors with a carrying value of £2,032k were impaired and provided for. The amount of the provision was £2,032k. The aging of these debtors is as follows:

| | £'000 |
|---|---|
| 3 to 6 months past due | 89 |
| Over 6 months past due | 1,943 |
| | 2,032 |

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

Debtors that are less than three months past their due date are not considered impaired. As at 31 March 2009, debtors of carrying value of £15,558 were past their due date but not impaired. The aging of debtors which are past due but not impaired is as follows

| | £'000 |
|---|---|
| Up to 3 months past due | 9,347 |
| 3 to 6 months past due | 2,996 |
| Over 6 months past due | 3,215 |
| | 15,558 |

The debtors assessed as past due but not impaired were mainly NHS Scotland, Local Authorities and Universities and there is no history of default from these customers recently.

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

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

Trade debtors that are neither past due nor impaired are shown by their credit risk below;

| Counterparties with external credit ratings | £'000 |
|---|---|
| A | - |
| BB | - |
| BBB | - |
| Counterparties with no external credit rating: | |
| New customers | - |
| Existing customers with no defaults in the past | 15,558 |
| Existing customers with some defaults in the past | - |
| Total neither past due or impaired | 15,558 |

The maximum exposure to credit risk is the fair value of each class of debtor. The NHS Board does not hold any collateral as security.

| The carrying amount of debtors are denominated in the following currencies: | **£'000** |
|---|---|
| Pounds | **45,212** |
| Euros | **-** |
| US Dollars | **-** |
| | **45,212** |

All non-current receivables are due mainly within 4 years from the balance sheet date.

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

The fair value of long term other debtors is £24,840

The effective interest rate on non-current other debtors is 2.2%

| 14. INVESTMENTS | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Other | **1** | 1 |
| **Total Investments** | **1** | 1 |

NHS Greater Glasgow and Clyde has subscribed to 1,000 ordinary £1 shares in TMRI Ltd, a Scottish limited company formed by four of Scotland's universities and four NHS Boards in collaboration with Wyeth Pharmaceuticals. Any investment loss would be borne by TMRI Ltd.

| 15. CASH AT BANK AND IN HAND | At 1 April 2008 £'000 | At 31 March 2009 £'000 | Cash Flow 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|
| PGO account balance | 9,349 | 515 | (8,834) | 8,893 |
| Cash at bank and in hand | 245 | 606 | 361 | (78) |
| **Total Cash - Balance Sheet** | **9,594** | **1,121** | **(8,473)** | 8,815 |
| Overdrafts | (579) | - | 579 | 951 |
| **Total Cash - Cash Flow Statement** | **9,015** | **1,121** | **(7,894)** | 9,766 |

Cash at bank is with major UK banks. The credit risk assocated with cash at bank is considered to be low.

| 16. CREDITORS | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Creditors due within one year** | | |
| **NHSScotland** | | |
| - SGHD | **374** | 31 |
| - Boards | **22,378** | 13,852 |
| **Total NHSScotland Creditors** | **22,752** | 13,883 |
| General Fund Creditor | **1,121** | 9,594 |
| FHS Practitioners | **61,025** | 60,424 |
| Trade Creditors | **13,005** | 12,339 |
| Accruals | **178,932** | 254,358 |
| Payments received on account | **4,474** | 9,351 |
| Bank overdrafts | **-** | 579 |
| Income tax and social security | **29,178** | 28,703 |
| Superannuation | **15,459** | 14,487 |
| Other Public Sector Bodies | **9,538** | 5,648 |
| EC Carbon Emissions Grant | **29** | - |
| Other creditors | **16,147** | 15,082 |
| **Total Creditors due within one year** | **351,660** | 424,448 |
| **Creditors due after more than one year** | | |
| Other creditors | **1,938** | - |
| **TOTAL CREDITORS** | **353,598** | 424,448 |

| | 2009 |
|---|---|
| Borrowings included above comprise: | **£'000** |
| Bank overdrafts | 0 |
| Finance Leases | 0 |
| PFI Contracts | 0 |
| | **0** |

| The carrying amount and fair value of the non-current borrowings are as follows | 2009 Carrying amount | 2009 Fair value |
|---|---|---|
| | **£'000** | **£'000** |
| Finance Leases | **-** | - |
| PFI Contracts | **-** | - |
| | **-** | - |

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

| The carrying amount of creditors are denominated in the following currencies: | **£'000** |
|---|---|
| Pounds | 21,790 |
| Euros | - |
| US Dollars | - |
| | 21,790 |

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

| | Pensions | Clinical & Medical Negligence | EC Carbon Emissions | Other | Total at 31 March 2009 | Total at 31 March 2008 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2008 | 61,958 | 32,448 | - | 19,917 | **114,323** | 101,230 |
| Arising during the year | 11,220 | 17,602 | 520 | 20,166 | **49,508** | 33,790 |
| Utilised during the year | (3,692) | (9,598) | - | (1,773) | **(15,063)** | (13,636) |
| Reversed unutilised | (4,019) | (3,066) | - | (615) | **(7,700)** | (7,061) |
| **At 31 March 2009** | **65,467** | **37,386** | **520** | **37,695** | **141,068** | 114,323 |

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as debtors in note 13.

### 18. MOVEMENT ON WORKING CAPITAL BALANCES

| | Note | Opening Balances | Closing Balances | Net Movement 2009 | 2008 |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **STOCK** | 12 | | | | |
| Balance Sheet | | 22,348 | 20,244 | | |
| **Net Decrease** | | | | **2,104** | 1,989 |
| **DEBTORS** | 13 | | | | |
| Due within one year | | 56,696 | 89,414 | | |
| Due after more than one year | | 48,137 | 40,132 | | |
| Less: Capital included in above | | (37,165) | (31,492) | | |
| Less: General Fund Debtor included in above | | (579) | - | | |
| | | 67,089 | 98,054 | | |
| **Net Increase** | | | | **(30,965)** | (8,704) |
| **CREDITORS** | 16 | | | | |
| Due within one year | | 424,448 | 351,660 | | |
| Due after more than one year | | - | 1,938 | | |
| Less: Capital included in above | | (44,919) | (20,969) | | |
| Less: Bank Overdraft | | (579) | - | | |
| Less: General Fund Creditor included in above | | (9,594) | (1,121) | | |
| | | 369,356 | 331,508 | | |
| **Net (Decrease)/Increase** | | | | **(37,848)** | 24,875 |
| **PROVISIONS** | 17 | | | | |
| Balance Sheet | | 114,323 | 141,068 | | |
| **Net Increase** | | | | **26,745** | 13,093 |
| **Net (Decrease)/Increase** | | | | **(39,964)** | 31,253 |

## 19. GENERAL FUND

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **General Fund at 1 April 2008** | | **596,515** | 589,896 |
| Opening General Fund Creditor/(Debtor) | 16 | **9,015** | (751) |
| Add: Cash Drawn Down | | **2,257,435** | 2,125,548 |
| Less: Closing General Fund Creditor | 13,16 | **(1,121)** | (9,015) |
| **Net Funding** | | **2,265,329** | 2,115,782 |
| Net Operating Cost for the Year | OCS | **(2,208,817)** | (2,154,444) |
| Cost of Capital | 3 | **35,959** | 33,315 |
| Transfer of Realised Element of Revaluation Reserve | 20 | **10,249** | 11,966 |
| Transfer of Fixed Assets from Other Bodies | 11 | **(4,043)** | - |
| Other adjustments | | **-** | - |
| **Net increase in General Fund** | | **98,677** | 6,619 |
| **General Fund at 31 March 2009** | | **695,192** | 596,515 |

## 20. MOVEMENT ON RESERVES

| | | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Revaluation Reserve** | Note | | |
| Balance at 1 April 2008 | | **386,556** | 364,003 |
| Indexation/Revaluation of fixed assets | 11 | **(116,568)** | 34,519 |
| Transfer of realised element to general fund | 19 | **(10,249)** | (11,966) |
| **Balance at 31 March 2009** | | **259,739** | 386,556 |
| **Donated Asset Reserve** | | | |
| Balance at 1 April 2008 | | **12,224** | 10,748 |
| Indexation/Revaluation of fixed assets | 11 | **(257)** | 246 |
| Additions of donated assets | 11 | **772** | 2,426 |
| Release to the Operating Cost Statement | | **(1,050)** | (1,196) |
| **Balance at 31 March 2009** | | **11,689** | 12,224 |

**21. CONTINGENT LIABILITIES/ASSETS**

**CONTINGENT LIABILITIES**

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

**(i) Negligence Claims**

| | Clinical & Medical Negligence £'000 | Employer's Liability £'000 | Third Party Liability £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2008 | 21,156 | 1,423 | 4 | **22,583** |
| Increase in value of claims | 5,727 | 11 | - | **5,738** |
| New claims arising during the year | 2,710 | 37 | - | **2,747** |
| Crystallised liabilities | (1,069) | (206) | (2) | **(1,277)** |
| Expired obligations | (5,899) | (622) | - | **(6,521)** |
| **At 31 March 2009** | **22,625** | **643** | **2** | **23,270** |

**(ii) Equal Pay Claims**

NHS Greater Glasgow & Clyde has received 5,330 claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under the pay arrangements that preceded Agenda for Change.

The basis of those claims is as follows:

- The claimant's job has been rated as being of equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.
- Their comparator is currently paid or has been paid more than them.
- They claim equal pay, back pay and interest.
- Back pay is claimed for the statutory maximum of 5 years.

Some cases are being pursued that comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims until this challenge has been determined.

The challenge to Agenda for Change was recently heard at an Employment Tribunal. The challenge was unsuccessful and the tribunal rejected the contention that Agenda for Change was discriminatory. This ruling severely curtails the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will have to establish that their jobs at that time were of equal value to the comparable jobs that they identify.

Claims currently submitted do not provide sufficient detail about the jobs against which they are compared to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland Central Legal Office Equal Pay Unit are monitoring the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. Their advice is used to determine the accounting treatment and disclosure and it is not considered practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that it would be likely to be misleading.

**(iii) Waste Electronic and Electrical Equipment Regulations**

The Waste Electronic and Electrical Equipment Regulations 2006 came into force on 1 July 2007. Where waste arises from assets obtained prior to 13 August 2005 the Board will be responsible for the cost of collection, treatment recovery and environmentally sound disposal after 1 July 2007. If however a direct replacement is purchased then the cost of disposal will fall directly on the supplier. The Board's current accounting policy is to incur such costs as they fall due. It is not possible to quantify the potential additional costs that the Board might be exposed to in respect of disposal of equipment purchased prior to 13 August 2005 as there is no reliable disposal cost per item of equipment and it is unknown what items will be directly replaced.

**CONTINGENT ASSETS**

| The following contingent assets have not been provided for in the Accounts: | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Reimbursement of Contingent Liability re Negligence Claims (from CNORIS scheme) as follows: | | |
| Clinical & Medical Negligence | **18,653** | 17,120 |
| Employer's Liability | **327** | 270 |
| Woodilee Land Sale - Cala Ransom Strip | **2,956** | - |
| | **21,936** | 17,390 |

**22. COMMITMENTS**

**Capital Commitments**

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

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| **Contracted** | | |
| Gynaecology transfer to Glasgow Royal Infirmary | **2,900** | 9,634 |
| Westwood House | **-** | 1,171 |
| Maternity Phase 2 | **10,473** | 2,491 |
| ACAD Equipment | **15,286** | - |
| Acute Services Projects | **12,942** | 4,866 |
| Primary Care Projects | **13,367** | - |
| **Total** | **54,968** | 18,162 |
| **Authorised but not Contracted** | | |
| Obstetrics Strategy | **-** | 26,791 |
| GRI Labs/University Tower | **2,952** | 10,851 |
| Acute Services Projects | **100,013** | 456 |
| Primary Care Projects | **20,601** | - |
| **Total** | **123,566** | 38,098 |

**23. 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:** | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| **Land and Buildings** | | |
| Within one year | **301** | 903 |
| Between two and five years (inclusive) | **1,462** | 2,224 |
| After five years | **2,624** | 2,366 |
| **Other** | | |
| Within one year | **959** | 1,342 |
| Between two and five years (inclusive) | **2,358** | 3,061 |
| After five years | **-** | - |

**24. COMMITMENTS UNDER PFI CONTRACTS - OFF BALANCE SHEET**

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

| **Project** | **Estimated Capital Value** | **Period of Contract** | **Reversionary Interest Value** |
|---|---|---|---|
| | **£'000** | | **£'000** |
| Mearnskirk House | NK | 21 Years | - |
| HISS SGH/VI | NK | 8 Years | - |
| SGD Elderly Bed Facility | 15,300 | 28 Years | - |
| HISS YKH | NK | 10 Years | - |
| Stobhill Local Forensic Unit | 18,014 | 35 Years | 202 |
| Gartnavel Royal Hospital | 18,349 | 30 Years | 445 |
| Larkfield Care of Elderly Facility | 12,816 | 25 Years 3 Mth | 2,505 |
| **Balance at 31 March 2009** | **64,479** | | **3,152** |

The total amount charged in the outturn statements in respect of off balance sheet PFI/PPP deals is:

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Mearnskirk House | **1,146** | 1,103 |
| HISS SGH/VI | **1,010** | 951 |
| SGD Elderly Bed Facility | **3,190** | 2,888 |
| HISS YKH | **537** | 626 |
| Stobhill Local Forensic Unit | **1,958** | 1,909 |
| Gartnavel Royal Hospital | **2,120** | 984 |
| Larkfield Care of Elderly Facility | **1,651** | 1,606 |
| | **11,612** | 10,067 |

The payments that there are a commitment to make during the next year analysed between these periods in which the commitment expires are:

| **Project** | **1 - 5 years** | **6 - 10 years** | **11 - 15 years** | **16 - 20 years** | **21 - 25 years** | **26 + years** | **Total** | 2008 |
|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| Mearnskirk House | - | 1,146 | - | - | - | - | 1,146 | 1,103 |
| HISS SGH/VI | 1,010 | - | - | - | - | - | 1,010 | 951 |
| SGD Elderly Bed Facility | - | - | - | 3,190 | - | - | 3,190 | 2,888 |
| HISS YKH | 537 | - | - | - | - | - | 537 | 626 |
| Stobhill Local Forensic Unit | - | - | - | - | - | 1,958 | 1,958 | 1,909 |
| Gartnavel Royal Hospital | - | - | - | - | - | 2,120 | 2,120 | 984 |
| Larkfield Care of Elderly Facility | - | - | - | 1,651 | - | - | 1,651 | 1,606 |
| Stobhill & Victoria ACADs | - | - | - | - | - | 16,400 | 16,400 | - |
| | **1,547** | **1,146** | **-** | **4,841** | **-** | **20,478** | **28,012** | 10,067 |

**25. 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 2008-09, normal employer contributions of £123,268,000 were payable to the SPPA (prior year £114,242,000) at the rate of 14% of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £1,162,000 (prior year £1,063,000) 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 £65,467,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefits of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions are increased in line with 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.

New 2008 arrangements:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions and allowances are index linked to protect their value.

Members aged 55 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on the full pension and lump sum which they have earned.

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Pension cost charge for the year | **123,268** | 114,242 |
| Additional Costs arising from early retirement | **1,162** | 1,063 |
| Provisions/Pre-payments included in the Balance Sheet | **65,467** | 61,958 |
| (Includes Injury Benefits £13,967,000, [prior year £11,287,000]) | | |

**26. FINANCIAL INSTRUMENTS**

| | Note | Loans and Receivables | Assets at Fair Value through Profit and Loss | Available for Sale | Total at 31 March 2009 | Total at 31 March 2008 |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Assets** | | | | | | |
| Investments | 14 | - | - | 1 | **1** | 1 |
| Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. | 13 | 54,511 | - | - | **54,511** | 49,951 |
| Cash and cash equivalents | 15 | 1,121 | - | - | **1,121** | 9,594 |
| **At 31 March 2009** | | **55,632** | **-** | **1** | **55,633** | 59,546 |

| | Note | Liabilities at Fair Value through Profit and Loss | Other Financial Liabilities | Total at 31 March 2009 | Total at 31 March 2008 |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Liabilities** | | | | | |
| Trade and other payables excluding statutory liabilities (VAT and income tax and social security) | 16 | 286,209 | - | **286,209** | 367,375 |
| **At 31 March 2009** | | **286,209** | **-** | **286,209** | 367,375 |

**26b. FINANCIAL RISK FACTORS**

**Exposure to Risk**

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

Credit risk - the possibility that other parties might fail to pay amounts due

Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments

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

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

**a) Credit Risk**

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with an minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

The utilisation of credit limits is regularly monitored.

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

**b) Liquidity Risk**

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

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

| | Less than 1 Year | Between 1 and 2 Years | Between 2 and 5 Years | Over 5 Years |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Trade and other payables excluding statutory liabilities | 307,023 | - | - | 1,938 |
| **At 31 March 2009** | **307,023** | **-** | **-** | **1,938** |

**c) Market Risk**

The NHS Board has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NHS Board in undertaking its activities.

i) Cash flow and fair value interest rate risk

The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

ii) Foreign Currency Risk

The NHS Board is not exposed to foreign exchange rates.

iii) Price risk

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

# 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. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 8 February 2006