

**Ayrshire and Arran Health Board
Annual Report and Accounts for the year to 31 March 2015**

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ANNUAL REPORT MANAGEMENT COMMENTARY:

STRATEGIC REPORT

The strategic report has been prepared in accordance with the government Financial Reporting Manual and complies with best practice.

1. **Strategy, Principal Activities and Review of the Year**

The Board was established in 1974 under the National Health Service (Scotland) Act, 1972 and is responsible for commissioning healthcare services for the residents of Ayrshire and Arran, a total population of 368,000.

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

- strategy development
- resource allocations
- implementation of the Local Delivery Plan
- performance management

Health and Social Care

In May 2012, the Scottish Government launched a public consultation to inform recommendations for legislation to support the integration of adult health and social care in Scotland and replace Community Health Partnerships with Health and Social Care Partnerships. The Public Bodies (Joint Working) (Scotland) Bill was passed on 25 February 2013 and received Royal Assent in April 2014 with commencement in April 2015.

The NHS Board at its meetings on 24 June and 30 September 2013 considered papers on the integration of health and social care, and agreed the arrangements to be put in place to prepare for the formation of Health and Social Care Partnerships between NHS Ayrshire and Arran and North, East and South Ayrshire Councils. Three Transition Integration Boards were created and met during 2013/14.

During 2013/14 the three councils in Ayrshire agreed the scope of services to be included in partnerships. At its meeting on 31 March 2014 the Health Board

approved the services to be managed in the partnerships. These ran in shadow form in 2014/15 as Shadow Integration Boards. In February 2015, Schemes of Establishment for three Integration Joint Boards were submitted to, and approved by, Scottish Government and the Cabinet Secretary signed orders establishing them from 1 April 2015.

In 2014/15, £5.5 million of the Health Board funding was earmarked for a change fund for older people's services. The use of the money is agreed by partners (health, local authorities, voluntary organisations and private sector). The Shadow Integration Boards in Ayrshire and Arran had responsibility for the preparation and delivery of the Change Plans including minimising delayed discharge from hospital and preventing emergency admissions. In 2015/16 the Integration Joint Boards in Ayrshire will prioritise the use of £2.3 million of delayed discharge investment and £7.7 million of Integrated Care Fund.

Acute Services

The NHS Board approved an Outline Business Case for a combined assessment unit at University Hospital Crosshouse and a new accident and emergency at University Hospital Ayr (Building for Better Care) in December 2012 and this was approved by Scottish Government Health and Social Care Directorate (SGHSCD) Capital Investment Group in February 2013. In June 2013 the Board approved an addendum to include a Combined Assessment Unit at University Hospital Ayr. The Full Business Case (FBC) with a capital value of £28.6 million was approved at the 1 February 2014 Board meeting then at the Capital Investment Group at Scottish Government. The new facilities will become operational in 2016. Additional revenue investment of £1.5 million recurring is required for the increased facilities cost and £1 million for extra nurses.

In June 2013 the Board submitted to Scottish Government a Local Unscheduled Care Action Plan which outlined desired service developments to help achieve the maximum 4 hours wait target. Scottish Government will provide £500,000 non-recurring in 2014/15 and 2015/16; however the Board has invested the full £2.1 million recurring in GP assessment units, a clinical decisions unit and various staffing. This investment complements the Building for Better Care Business Case.

Mental Health / North Ayrshire Community Hospital

In January 2008, the Board considered and approved planned community investments in mental health services. An additional £2.8 million was invested in 2008/09 in mental health services. A "Mind Your Health" option appraisal was undertaken in 2008 around the future location of acute mental health in-patient services and a consultation exercise was undertaken. The outcome from this was reported to the NHS Board meeting on 19 November 2008 with the preferred option being the move of most adult in-patient services to a new build facility at the Ayrshire Central Hospital site.

An original Outline Business Case (OBC) combining the mental health provision with a new North Ayrshire Community Hospital was approved at the December 2010 Board meeting and then submitted to the SGHSCD. In July 2011, SGHSCD asked the Board to pursue a Non Profit Distribution (NPD) procurement route for this project and submit a refreshed OBC reflecting this procurement route. The refreshed OBC was submitted to SGHSCD in December 2011 following local Board approval. SGHSCD approval to the OBC submission was received in a letter dated 31 May 2012.

Following European procurement and evaluation, Balfour Beatty was appointed as preferred bidder and a Full Business Case with a capital value of £54.7 million was approved at the March 2014 Board meeting. Financial close was achieved on 19 June 2014 and building of the new facility commenced in July 2014, with completion expected in March 2016. This will allow consolidation of mental health inpatient beds from three sites and the modern premises will allow better clinical care, better observation and a much improved environment for patients.

Capital Schemes

Capital expenditure totalling £13.94 million has been incurred in the year, which matches the capital allocation for the year. The following are the main capital spend areas during 2014/15.

	£000
Building for Better Care	6,865
Car parking and paths	2,187
Isolation rooms	766
North Ayrshire Community Hospital – Adviser Fees	323
Energy saving projects	421
Renal unit plant	237
Lift upgrade	243
IT projects	1,387
Theatre instrumentation	305
Electro medical equipment	1,801
Furniture and equipment	165
Air condition units	144
Other small capital projects	307
Capital receipts less profit and fees	(1,212)
TOTAL	13,939

As noted above, in June 2014 the Board achieved financial close with Balfour Beatty to build a mental health and community hospital in Irvine. This is to be financed through the non-profit distributing model therefore there is no initial capital outlay for the Board, instead it is revenue financed through payment of an annual service payment for twenty five years. Treasury guidance requires that the Board accounts, on our balance sheet, for the value of work in progress at 31 March 2015 and this amounts to £21.38 million.

During 2014/15 some £378,000 of demolition costs were incurred to maximise the value of a site. Scottish Government agreed to meet this cost which would be repaid in 2015/16 from the profit on sale of the land.

Counter Fraud Service

The National Counter Fraud Service has calculated an estimated potential level fraud / error for calendar year 2014 in relation to Ayrshire and Arran patients wrongly claiming exemption from dental and ophthalmic charges. These are based on extrapolation of a small sample and are shown in the table below:

	Estimated Potential Fraud/Error	
	2014	2013
	£	£
Dental Fees	640,909	581,488
Ophthalmic Fees	213,189	145,087

2. Financial performance and position

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
1 Revenue Resource limit:			
Core	682,898	682,552	346
Non-core	14,987	14,987	0
2 Capital Resource Limit:			
Core	13,941	13,939	2
Non-core	21,380	21,380	0
3 Cash Requirement	738,000	737,275	725

MEMORANDUM FOR IN YEAR OUTTURN

£'000

Brought forward surplus from previous financial year	2,051
Deficit against in year Revenue Resource Limit	(1,705)
Cumulative savings against revenue resource limit	<u>346</u>

The revenue resource underspend of £346,000 is fully committed for use in 2015-16 as shown below:-

Revenue resource underspend - commitments	£000
Evaluation of asset based project	90
Ophthalmology quality initiative	50
Unscheduled care patient flow redesign	90
Access support	83
Other	33
Total	346

The accounts have been prepared under an accounts direction and on a going concern basis.

Non-current Assets

The balance sheet shows an increase in property, plant and equipment from £313 million at 1 April 2014 to £345 million at 31 March 2015.

Outstanding Liabilities

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

Public Finance Initiative/Public Private Partnerships

Ayrshire Maternity Unit (AMU)

The AMU is situated within the grounds of University Hospital Crosshouse, Kilmarnock and provides obstetric in-patient, neonatal, day case and specialist outpatient facilities for women and babies of Ayrshire and Arran. The capital value of the project was £19.5 million, which is now on balance sheet under IFRS. The contract with Ayrshire Hospitals Limited (AHL) commenced on 1 July 2006 and runs for 30 years to 30 June 2036. At the end of the contract period the building will transfer, free of charge to the NHS Board from the PFI Project Company.

East Ayrshire Community Hospital (EACH)

Situated in Cumnock, EACH provides inpatient services to frail elderly, elderly with mental illness and GP acute. It also provides day facilities to frail elderly and elderly mentally ill, and outpatient services to the local area. The assets have a net book value of £14 million on the balance sheet as at 31 March 2015. The contract with HBG Construction Scotland Limited runs for 25 years to August 2025. At the end of the contract term, the NHS Board has the option to acquire the building at a market valuation price from the PFI Project Company Special Purpose Vehicle (SPV).

Details of the new mental health and community hospital in Irvine which is being built under the non-profit distributing model is shown under capital schemes. Details of all are provided in Note 23a of the financial statements.

Prior year adjustments

A prior year adjustment, arising from nationally agreed changes in accounting treatment for Clinical Negligence and Other Risks Insurance Scheme (CNORIS), has been made to reflect retrospective restatements and adjustments to opening balances. A detailed disclosure note providing further information has been added to the financial statements at note 17(b).

3. Performance against Key Non Financial Targets

Ayrshire and Arran Health Board is monitored by the Scottish Government against a number of national targets known as the 'HEAT Targets'. Each Health Board routinely reports performance against trajectories set in a Local Delivery Plan (LDP). The LDP is effectively a contract between the Scottish Government and the Health Board. Trajectories were set against the key targets in the LDP for financial year 2014/15. Outcomes are discussed at an Annual Review meeting held between the Scottish Government and Ayrshire & Arran Health Board.

Performance Summary

HEAT 2014/15 has 17 key performance indicators in total. The performance has been summarised in table 1 below, detailing a description of:

- Indicator;
- Unit;
- Baseline performance;
- Latest performance (Actual and Planned) and Performance score; and
- Target detail.

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

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

TABLE 1: HEAT indicators 2014/15

ID	Indicator	Units	Baseline		Latest Performance				Target Detail	
			Date	Value	Date	Actual	Planned	Performance Score	Date	Target
H6.1*	Smoking Cessation - SIMD	Number of successful quits after 12 weeks for people residing in the 40% most-deprived datazones	Apr-14	49	Feb-15	364	735		Mar-15	814
H10.1	Detect Cancer Early (Breast, Colorectal and Lung)	Percentage of people diagnosed and treated in the first stage of breast, colorectal and lung cancer	Dec-13	24.8%	Dec-13	24.8%	18%		Mar-15	20%
H11.1	Early Access to Antenatal Services	% of pregnant women booked for antenatal care by 12th week of gestation	Q3 2011/12	83.1%	Q2 2013/14	79.80%	76%		Mar-15	80%
E5.1b*	Financial Performance	£000s	n/a	n/a	Mar-15	£346	£0		Mar-15	£0
E6.1*	Cash Efficiencies	£000s	n/a	n/a	Mar-15	£18,567	£18,567		Mar-15	£18,567
E8.1*	Reduce carbon emissions	Tonnes	Mar-11	10224	Dec-14	5,418	5,937		Mar-15	9,191
E8.2*	Reduce Energy Consumption	GJ	Mar-11	281639	Dec-14	184,612	187,186		Mar-15	252,044
A12.1*	Faster Access to CAMHS - 18 weeks	Percentage of patients who started treatment within 18 weeks of referral	Apr-13	79.27%	Feb-15	93.75%	90%		Mar-15	90%
A12.2*	Faster Access to psychological therapies - 18 weeks (adjusted)	Percentage of patients who started treatment within 18 weeks of referral	Apr-13	81.81%	Feb-15	81.86%	90%		Mar-15	100%
A13.1	IVF Treatment Waiting Times	n/a	Sep-14	100.00%	Dec-14	100%	100%			

			Baseline		Latest Performance				Target Detail	
A14.1*	A&E 4 hour Waits	Percentage of patients attending emergency departments being seen within 4 Hours	Jun-12	93.3%	Mar-15	87.45%	95%	Mar-15	95%	
T11.1	MRSA/MSSA Reduction	Staphylococcus aureus bacteraemia cases per 1,000 acute occupied bed days	Q1 2012/13	0.28	Q4 2014/15	0.35	0.24	Q4 2014/15	0.24	
T11.2	C.Diff Reduction	Clostridium difficile infections in patients aged 15 and over per 1000 total occupied bed days	Q1 2012/13	0.48	Q4 2014/15	0.37	0.32	Q4 2014/15	0.32	
T12.1	Reduction in emergency bed days for patients aged 75+	Rate per 1,000 pop (75+)/yr	Apr-11	4714	Nov-14	5058	4141	Mar-15	4073	
T15.1*	Delayed Discharges - 2 week waits	Number waiting > 2 weeks	Apr-13	8	Mar-15	9	1	Mar-15	1	
T16.1	Dementia Post Diagnostic Support	% people newly diagnosed with a year's worth of post diagnostic support	Under development				All people newly diagnosed with dementia will have a minimum of a year's worth of post-diagnostic support			
T17.1	Stroke Bundle	% people receiving appropriate bundle of care	Q1 2014/15	71.86%	Q3 2014/15	83.24%	71%	Q4 2014/15	74%	

HEAT 2014/15 had seventeen key performance indicators in total. Based on the most up to date data available regarding the end of year position, seven of the seventeen indicators were showing a Red position, and nine were showing a Green position. The remaining indicator had no data available. The performance has been summarised in the lists below where Red, Amber, Green status is available.

1. The following indicators scored a RED (outwith >5% of trajectory)

H6.1: Smoking Cessation

A12.2: Faster Access to Psychological Therapies – 18 weeks (adjusted)

A14.1: A&E 4 hour waits

T11.1: MRSA/MSSA Reduction

T11.2: C Diff Reduction

T12.1: Reduction in emergency bed days for patients aged 75+

T15.1: Delayed Discharges – 2 week wait

2. The following indicators scored as GREEN (meeting or exceeding plan).

H10.1: Detect Cancer Early (Breast, Colorectal and Lung)

H11.1: Early Access to Antenatal Services

E5.1b: Financial Performance

E6.1: Cash Efficiencies

E8.1: Reduce Carbon Emissions

E8.2: Reduce Energy Consumption

A12.1: Faster Access to CAMHS - 18 wks

A13.1: IVF Treatment Waiting Times

T17.1: Stroke Bundle

The Board has a Performance Governance Committee whose remit includes providing assurance to the Board that systems and procedures are in place to monitor, manage and improve overall performance.

For those indicators which were scored as **Red** (outwith >5% of trajectory) the following comment and remedial action was provided by the service responsible.

H6.1: Smoking Cessation

Analysis: The most up to date data are showing a **RED** and **IMPROVING** position as at February 2015 of 364 clients having successfully refrained from smoking for a period of 12 weeks against a trajectory of 735.

Remedial Action: The implementation of the HEAT target coincided with the implementation of a new method of electronic recording for Pharmacies. Furthermore, the new specification for the delivery of smoking cessation within Pharmacies now requires them to carry out the follow up review with their clients after 3 months. Previously, the specialist service carried out the follow up review. Work is being carried out to minimise the impact of these changes to the recording process at both local and national levels. Ongoing training, advice and support in recording has been provided to Pharmacies. As the implementation has proceeded, the problems

have minimised. It is therefore expected that the numbers of 3 month quits recorded will gradually begin to increase. Local publicity has also been undertaken to raise awareness of smokers that smoking cessation support and Nicotine Replacement Therapy (NRT) is provided free.

A12.2: Faster Access to Psychological Therapies – 18 weeks (adjusted)

Analysis: These data are showing a **RED** and **IMPROVING** position of 81.86% of patients being seen within 18 weeks in February 2015, up from 76.69% in January 2015. This is based on 'adjusted' figures, i.e. excluding periods of patient unavailability.

Remedial Action: In 2013/14 there was additional recurring investment of £268,000 in psychology services to increase capacity so as to reduce waiting times. Five work streams of the Psychological Therapies and CAMHS Programme are taking forward the work required to ensure the service delivers the 18 week RTT target. Work continues to ensure that data capture of Psychological Therapy activity is increased to cover all areas of the organisation.

A14.1: A&E 4 Hour Waits

Analysis: These local data are showing a **RED** and **IMPROVING** position from 82.63% in February 2015 to 87.45% in March 2015, against a target of 95%.

Demand for A&E services has increased since the same time last year, particularly at Crosshouse.

A number of patients have been delayed waiting for beds in downstream wards and waiting for home care, impacting on beds available for new patients. Acute staff are working closely with Health & Social Care Partnership colleagues to reduce these delays and new measures have been put in place including weekend working in the emergency department by home care staff and additional beds in Cumbrae Lodge Care Home, Ayrshire Central Hospital, to increase capacity.

Crosshouse has also increased bed capacity, increased weekend medical staff cover, expanded acute receiving capacity over 24 hours and obtained short term assistance from experienced nursing staff to support effective discharge of patients.

Remedial Action: In 2014/15 the Board recurrently invested £2.15 million in additional unscheduled care capacity such as 6 additional GP assessment beds at each hospital and a clinical decisions unit at UH Ayr. Staffing was also increased by 3 acute medical consultants, enhanced pharmacy input as well as additional nurse staffing. Plans have been developed covering common improvement areas across both UH Crosshouse and UH Ayr, with additional site specific improvements included where appropriate.

T11.1: MRSA/MSSA Reduction

Analysis: The published data for Q4 2014/15 for *Staphylococcus aureus* bacteraemia (SABs) exceeds the expected trajectory position therefore showing a **RED** and **WORSENING** position. This is reflected in the number of MRSA/MSSA cases as shown in the supplementary measure T11.1N which shows there was a total of 126 cases against an overall target of 84. The rate as at the end of year position was 0.35 against a target of 0.24.

Remedial Action The Board suffered a significant reversal in its SAB reduction strategy in 2014-15, which saw a 30% increase from the 88 cases recorded in the previous year. This resulted in our annual rate rising to 0.35 cases per 1,000 acute beds days compared with 0.25 in 2013-14. The Board has shifted from having the lowest rate amongst mainland territorial Boards to being above the Scottish mean during the year. The cause of a SAB is varied and multi-factorial. In order to determine the most likely cause, each SAB is reviewed at a multidisciplinary meeting involving the Infection Control Nurses (ICNs) and the Consultant Microbiologists. For those SABs assessed as being potentially preventable by healthcare intervention a review meeting is held with the patient's clinical team to determine if there are any learning points.

Vascular access related SABs are those caused by peripheral vascular catheters (PVCs); central vascular catheters (CVCs); renal fistulas and blood culture contaminants. These accounted for 29% of all SABs during the year. These are amenable to preventative healthcare intervention programmes; however this does not mean that all are preventable as accessing the vascular system will always carry an infection risk. However the Board has previously achieved lower numbers of PVC, fistula; and blood culture contaminant related SABs and can do so again. Central line related SABs are at their lowest level since surveillance commenced however vigilance is required as the last year has demonstrated that a deterioration in the numbers can happen much more quickly than an improvement.

There are a significant proportion of SABs for which there are no healthcare preventative measures and no cohesive programme of interventions that would tackle significant numbers. These include skin and soft tissue, 'others', intravenous drug use as well as those with an unknown cause. Combined, these categories accounted for 58% of all SABs. This limits the areas of intervention for future reductions.

T11.2: C Diff Reduction

Analysis: The published data at Q4 2014/15 show an increase for *Clostridium difficile* infection (CDI) and performance now shows as **RED** and **WORSENING** with the rate for the end of year position at 0.37 against a target of 0.32. This is reflected in the number of CDIs reported as shown in the supplementary measure T11.2N as a maximum of 10 cases per month are allowed and as at the end of year position there have been 134 cases recorded against an overall target of 120. The number of bed days recorded, used as the denominator for this rate has an impact on the status of this indicator.

Remedial Action: Following a number of years of significant reductions the Board's CDI rate began to level off in 2014-15. Although an 8% reduction on the previous

year was achieved the year end rate of 0.37 cases per 1,000 occupied bed days was above the HEAT Target. The HEAT target includes all cases of CDI from both primary and secondary care. Of the 134 cases of CDI in 2014-15, 73 were identified in hospital, a 22% reduction on the previous year. This was partly offset by a rise of 13% in those cases identified in primary care. A sharp rise in primary care identified cases during the July – September quarter impacted significantly on the Board's ability to meet the HEAT target. Moving forward, the Board's Antimicrobial Stewardship programme led by the Antimicrobial Management Team will focus on reducing the overall level of antimicrobial prescribing within NHS Ayrshire & Arran. The key driver is minimising the spread of antimicrobial resistance however, overall reductions in the use of antibiotics also support the reduction CDI.

T12.1: Reduction in Emergency Bed Day Rates for Patients Aged 75+

Analysis: These data are showing a **RED** and **WORSENING** position from 4,997 bed days per 1,000 population in October 2014 to 5,058 in November 2014 against a trajectory of 4,141.

Remedial Action: The figures indicate that although there has been continued and indeed increased use of community based anticipatory and early interventions, there has also recently been a small increase in the attendance and admission rates. In 2014/15 there was a £5.5 million Change Fund available through health funding for partnerships to pilot initiatives to prevent emergency admissions to hospital. The Change Fund was targeted at older people whereas the £7.7 million Integrated Care Fund established for 2015/16 has a wider age range to cover all adults and focuses on prevention, early intervention and care and support for people with complex and multiple conditions. There will be continued focus on early intervention approaches to try to re-establish and sustain the previously improving trend, however, the end of year target will not be met.

T15.1: Delayed Discharges - 2 week waits

Analysis: These local data are showing a **RED** and **IMPROVING** position of 9 patients waiting more than 2 weeks to be discharged from hospital in March 2015, against a trajectory of 1. The local authority breakdown shows that 8 patients waited more than 2 weeks in South Ayrshire, with the one remaining patient waiting more than 2 weeks to be discharged in North Ayrshire.

Remedial Action: The Delayed Discharge Group remains concerned about the ability to meet the 2 week target. Ayrshire and Arran have some Care Homes and Care at Home providers with moratoriums in place and some Care Homes have restricted admissions. This has a negative impact on the ability to facilitate discharges within 2 weeks. In 2015/16 there is however £2.31 million additional health funding which has been made available to tackle delayed discharges and the three Health and Social Care Partnerships will prioritise where to invest this money for greatest impact and with the goal of reducing delays in discharge to 72 hours maximum.

4. Sustainability and Environmental Reporting

NHS Ayrshire and Arran - Utilities analysis						
Period	12 Months to end March 2014			12 Months to end March 2015		
	2013-14			2014-15		
Utility	Raw Data	Kw	CO ₂ emissions Tonnes	Raw Data	Kw	CO ₂ emissions Tonnes
	Gas	44,573,628	44,573,628	8,184	41,007,738	41,007,738
Pellets	1,476	7,084,800	No emissions	1,264	6,067,200	No emissions
Gas + Pellets		51,658,428			47,074,938	
Electricity	23,731,813	23,731,813	12,839	23,755,544	23,755,544	12,852
Oil	86,082	1,007,159	238	58,536	684,871	162
Water	386,502			340,112		
Total		76,397,400	21,260		71,515,353	20,542
Percentage Increase/Decrease compared to Current Year						
Gas + Pellets	-8.87%	Decrease				
Electricity	0.10%	Increase				
Oil	-32.00%	Decrease				
Overall utilities	-6.39%	Decrease				
CO ₂	-3.38%	Decrease				
Water (m ³)	-12.00%	Decrease				

Developments in-year

- The reduction of carbon emissions was achieved by a continued focus on making biomass work within the various hospitals. A 199kW biomass boiler was installed in Arran War Memorial hospital which provides the heating and hot water. The project uses fuel sourced sustainably on the island and local teams to maintain the boiler. This project won an award as part of the H&V – Renewable Project of the year - Public Sector 2014. This hospital was fuelled by oil previous to its installation, hence a 32% reduction in the oil consumption for this year.
- New gas boiler control units were introduced to remove the unnecessary dry cycling of gas boilers. Biggart Hospital and Ailsa hospital both had this technology installed and we have seen reductions of 12% in consumption this year following their installation.
- A continuation of our EcoCent boiler installation at University Hospital Crosshouse, where the full kitchen is now being supplied domestic hot water from the waste heat produced by the kitchen.
- LED lighting installation has been continued across the estates, and new lighting has been purchased for the A&E and the main corridors at University Hospital Crosshouse. New solar LED lighting was installed in the Ayrshire Maternity car park.

- Water savings have been achieved through various means. Consumption reduction has been seen by the focus of repair and finding water leaks with the water systems across the estate. Four main water leaks were repaired at, Ailsa Hospital, Arrol Park, University Crosshouse Hospital, and Kirklandside Hospital.
- Sustainability Development Action Plan 2014/15. The Board has developed the above action plan which can be viewed using the following link. <http://www.nhsaaa.net/media/335687/sdaplan1415.pdf>

5. Social Community and Human Rights

NHS Ayrshire & Arran strives to continue to embed the equalities agenda and meet the requirements of the Equality Act 2010, Public Sector Equality Duty and Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. We do this by ensuring that our services are person-centred (including patients, their families, carers, and staff) and that our core function of providing health care and prevention of ill-health for all meets the needs of those who access it.

Services need to be accessible, appropriate and sensitive to the needs of all service users. No-one should be excluded or experience particular difficulty in accessing and effectively using our services due to their protected characteristics of age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race/ethnicity, religion or belief, sex or sexual orientation.

In 2013, NHS Ayrshire & Arran published its first Mainstreaming Report including equality outcomes to support meeting the needs of some of our most vulnerable communities. In April 2015 we published our two year progress report to highlight the progress made to embed equalities into our day to day functions. The report shows our commitment to ensuring the ever-changing demography and diversity of our population are reflected in services which are person-centred and aim to meet the needs of all who access it.

Gender Analysis

An analysis of the number of persons of each gender who were directors, senior managers and employees of the Board is set out in the table:

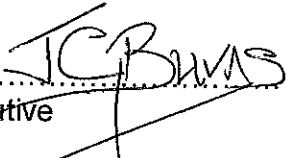
Description	31 March 2015			31 March 2014		
	Female	Male	Total	Female	Male	Total
Directors	7	12	19	7	12	19
Senior managers	18	7	25	19	10	29
Employees	8,943	1,773	10,716	8,913	1,791	10,704
Totals	8,968	1792	10,760	8,939	1,813	10,752

6. Accounting Convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities at fair value through the Statement of Consolidated Comprehensive Net

Expenditure. The Accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced as an annex to these accounts.

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

Signed 
Chief Executive

Date 23/6/15

DIRECTORS' REPORT

7. Naming convention

NHS Ayrshire and Arran is the common name for Ayrshire and Arran Health Board.

8. Date of Issue

Financial statements were approved and authorised for issue by the Health Board on 23 June 2015.

9. Appointment of auditors

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

10. Board membership

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

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

Dr M Cheyne, Chairman
Mr J Burns, Chief Executive
Mrs L Bowie, Non Executive Director
Mr J Callaghan, Employee Director
Dr K Darwent, Vice Chair
Dr C Davidson, Director of Public Health
Councillor W Gibson, Non-Executive Director
Dr A Graham, Medical Director
Dr A Gunning, Director for Strategic Planning, Policy and Performance
Councillor H Hunter, Non-Executive Director
Mr D Lindsay, Director of Finance
Mr R Martin, Non Executive Director
Dr J McKay, Non-Executive Director
Mr S McKenzie, Non-Executive Director
Mr A McKie, Non-Executive Director
Professor F McQueen, Director of Nursing (until 16 November 2014)
Councillor D Reid, Non-Executive Director
Miss L Tennant, Non-Executive Director
Mr I Welsh, Non-Executive Director

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

11. Board Members' and Senior Managers' Interests

Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 29. A register of interests, which includes details of company directorships or other significant interests held by Board members that may conflict with their management responsibilities, is available by contacting the NHS Board, Eglinton House, Ailsa Hospital, Dalmellington Road, Ayr KA6 6AB, or can be accessed on the Board's website at: [register of board members interests](#).

All Directors appointed by the Cabinet Secretary (shown in the remuneration report) are also Trustees of the Ayrshire and Arran Endowments.

12. Directors third party indemnity provisions

The Board has provided an indemnity to Ayrshire Medical Support Ltd to the effect that it will reimburse the company for any additional VAT determined to be chargeable by HMRC on a specified sale of property by the company to the Board.

13. Pension liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 24 and the remuneration report.

14. Remuneration for non- audit work

No remuneration was paid to external auditors in respect of any non audit work carried out on behalf of Ayrshire and Arran Health Board.

15. Value of Land

Land is shown in the balance sheet at market value.

16. Public Services Reform (Scotland) Act 2010

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

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

17. Sickness absence data

Sickness absence in 2014/2015 was 5.00% which is a decrease from 5.35% in 2013/2014. Sickness absence will continue to be reviewed under the terms of the Staff Health, Safety and Wellbeing Strategy.

18. Personal data related incidents

Throughout the year no personal data related incidents were considered to meet the criteria for notification to the Information Commissioner's Office. NHS Ayrshire & Arran have no open cases with the Information Commissioner's Office.

19. Payment policy

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

In 2014/15 average credit taken was 10 days from date invoice received. (2013/14 = 12 days from invoice date).

In 2014/15 the Health Board paid 92% by volume and 94% by value of non NHS suppliers within 30 days of the invoice being received, (compared to 90% and 92% in 2013/14).

Based on the date of invoices being received, 86% by value and 81% by volume were paid within 10 days in 2014/15 (compared to 81% and 76% in 2013/14).

20. Corporate governance

The board meets regularly during the year to progress the business of the Health Board. In December 2012 the Board agreed revised governance, assurance and scrutiny structures to operate from January 2013 and the resultant changes to standing committees is detailed below.

The 30 March 2015 Board meeting approved an updated Code of Corporate Governance including members' code of conduct, standard of business conduct for NHS staff, standing financial instructions and scheme of delegation.

Healthcare Governance Committee

The remit of the Healthcare Governance Committee is to provide assurance to the NHS Board systems and procedures are in place to monitor healthcare governance in line with the Board's statutory duty for quality of care.

Members of the Healthcare Governance Committee and attendance during 2014/15 were:

Dr Kirsty Darwent (Chair) (7/7)
Councillor William Gibson (4/7)
Mr Alistair McKie (3/7)
Dr Janet McKay (3/7)
Miss Lisa Tennant (4/7 – on maternity leave from August 2014)
Mr Ian Welsh (3/7)

The Healthcare Governance Committee met seven times from 1 April 2014 – 31 March 2015.

Audit Committee

The Audit Committee met five times during 2014/15 to consider reports received

from internal audit (PricewaterhouseCoopers LLP) and external audit (Audit Scotland). The committee monitors corporate governance, probity and issues around internal control.

Membership of the Audit Committee and attendance during 2014/15 were:

Mr Alistair McKie (Chair) (5/5)
Mr John Callaghan (5/5)
Councillor William Gibson (2/5)
Dr Janet McKay (4/5)
Mr Robert Martin (3/5)
Councillor Douglas Reid (0/5)

Staff Governance Committee

The Committee met five times during 2014/15. The Committee monitors compliance with the Staff Governance Standards and is supported by the Area Partnership Forum and the Remuneration Committee.

Membership of the Staff Governance Committee and attendance during 2014/15 were:

Mr Ian Welsh (Chair) (4/5)
Mrs Lesley Bowie (3/5)
Mr John Callaghan (4/5)
Councillor Hugh Hunter (2/5)
Dr Janet McKay (4/5)
Councillor Douglas Reid (2/5)

Performance Governance Committee

The Performance Governance Committee met on three occasions between 1 April 2014 and 31 March 2015. The committee has a remit to consider a range of areas including; HEAT/Local Delivery Plan, Investment Scrutiny, Benefits Realisation, Post Project Evaluation and Finance and Service Performance. Membership of the Performance Governance Committee and attendance during 2014/15 were:

Dr Martin Cheyne (Chair until 31 December 2014) (3/3)
Mr John Callaghan (3/3)
Councillor Hugh Hunter (3/3)
Mr Robert Martin (Chair from 1 January 2015) (3/3)
Mr Stephen McKenzie (3/3)
Mr Ian Welsh (3/3)

Information Governance Committee

The Information Governance Committee has a remit to consider a range of areas including; Caldicott Principles, Freedom of Information, NHS Code of Practice on Confidentiality, Data Protection, Information Assurance, e-Health and Data Sharing.

Further to that the Information Governance Committee is also responsible for overseeing the development and implementation of a Records Management Plan

for NHS Ayrshire & Arran to ensure records, both clinical and corporate are being managed throughout their lifecycle in compliance with Public Records (Scotland) Act 2011.

The Information Governance Committee met five times in the period from 1 April 2014 to 31 March 2015. Membership of the committee and attendance during 2014/15 were:

Mr Stephen McKenzie (Chair until 31 December 2014) (4/5)
Mrs Lesley Bowie (Chair with effect from 1 January 2015) (5/5)
Dr Kirsty Darwent (with effect from 1 January 2015) (0/1)
Councillor Hugh Hunter (4/5)
Mr Robert Martin (4/5)
Miss Lisa Tennant (0/5 – on maternity leave from August 2014)

Integrated Governance Committee

The Integrated Governance Committee was established to coordinate cross cutting issues such as risk management following approval at the 25 August Board Meeting. It met twice during 2014/15. Membership of the Integrated Governance Committee and attendance during 2014/15 was:

Dr Martin Cheyne (Chair)(1/2)
Mrs Lesley Bowie (from 1 January 2015) (1/2)
Dr Kirsty Darwent (1/2)
Mr Robert Martin (0/2)
Mr Stephen McKenzie(until 31 December 2014) (2/2)
Mr Alistair McKie (1/2)
Mr Ian Welsh (2/2)

21. 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 Health Board's auditors are unaware; and each director has taken all the steps that he/she ought reasonably to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Health Board's auditors are aware of that information.

22. Human resources

As an equal opportunities employer, the Health Board welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Health Board.

The Health Board provides employees with information on matters of concern to them as employees through a Daily Digest, two monthly Team Talk and more regular Stop Press updates and consults employees or their representatives through the Area Partnership Forum so their views are taken into account in decisions affecting their interests.

23. Events after the end of the reporting period

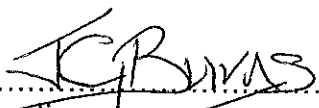
There have been no important events affecting the Health Board since the year-end.

24. Financial instruments

Information in respect of the financial risk management objectives and policies of the Health Board, the exposure to price risk, credit risk, liquidity risk, and cash flow risk is disclosed in Note 27.

25. Approval and signing of the directors' report

The Accounting Officer authorised these financial statements for issue on 23 June 2015.

Signed 
Chief Executive

Date 23/6/15



REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

The Health Board has a Remuneration Committee, which is a sub-committee of the Staff Governance Committee. Membership of the sub-committee consists of Non-Executive Board members including the Employee Director. The Chair of the NHS Board is the Chair of the Remuneration Committee.

The Remuneration Committee membership is as follows:-

Dr Martin Cheyne, Chair
Councillor William Gibson
Mr John Callaghan
Dr Kirsty Darwent

The committee met three times during 2014/15. The committee is responsible for providing assurance to the NHS Board regarding the probity and corporate governance aspects of the appointment, appraisal and remuneration of those covered by Executive Pay Arrangements and to monitor terms and conditions of employment in accordance with central direction.

Remuneration

Remuneration of the Chief Executive, Executive Directors, Directors and Senior Managers is determined in line with directions issued by the Scottish Government. All posts at this level are subject to rigorous job evaluation arrangements by the National Evaluation Committee and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the SGHSCD has been appropriately applied and agreed by the Remuneration Committee.

Performance Appraisal

Performance appraisals, for those covered by Executive Pay Arrangements, are carried out in line with the guidance from the National Performance Management Committee and overseen by the Remuneration Committee. The Committee agrees the individual in-year objectives of the Board's Executive Directors and Directors and approves their annual performance assessments each year. Annual pay rises, for those covered by Executive Pay Arrangements, are dependent on achieving specified levels of performance, in line with National agreement.

Payments to Non-Executive Directors and Executive Directors'

The following tables provide a breakdown of Non Executive Directors' and Executive Directors' remuneration.

Remuneration (salary, benefits in kind and pensions) 2014 -15

Single total figure of remuneration						
Board Members	Directors' Gross Salary (Bands of £5,000)	Bonus Payments (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	****Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
Executive						
Mr J Burns, Chief Executive	130 - 135	0	0	130 - 135	51	180 - 185
Mr D Lindsay, Director of Finance	100 - 105	0	1.6	100 - 105	11	115 - 120
Dr A Gunning, Director for Strategic Planning, Policy and Performance	115 - 120	0	0	115 - 120	14	130 - 135
Dr A Graham, Medical Director	155 - 160	0	3.1	160 - 165	20	180 - 185
Dr C Davidson, Director of Public Health	170 - 175	0	0	170 - 175	42	210 - 215
**Mrs F McQueen, Nurse Director (to 16 November 2014)	60 - 65	0	1.1	65 - 70	31	95 - 100
Non-executive						
Dr M Cheyne, Chairman	25 - 30	0	0	25 - 30	0	25 - 30
Dr K Darwent, Vice Chair	5 - 10	0	0	5 - 10	0	5 - 10
Mrs L Bowie	5 - 10	0	0	5 - 10	0	5 - 10
**Mr J Callaghan	45 - 50	0	2.1	50 - 55	7	55 - 60
Councillor W Gibson	5 - 10	0	0	5 - 10	0	5 - 10
Councillor H Hunter	5 - 10	0	0	5 - 10	0	5 - 10
Mr R Martin	5 - 10	0	0	5 - 10	0	5 - 10
***Dr J McKay	65 - 70	0	2.0	65 - 70	4	70 - 75
Mr S McKenzie	5 - 10	0	0	5 - 10	0	5 - 10
Mr A McKie	5 - 10	0	0	5 - 10	0	5 - 10
Councillor D Reid	5 - 10	0	0	5 - 10	0	5 - 10
Miss L Tennant	5 - 10	0	0	5 - 10	0	5 - 10
Mr I Welsh	5 - 10	0	0	5 - 10	0	5 - 10

*Although Professor Fiona McQueen, the former Director of Nursing, continues to be employed and paid by NHS Ayrshire and Arran, her remuneration since November 2014 is fully recharged to the Scottish Government Health and Social Care Directorate on a secondment basis, and is included in Notes 2(a) and 2(b) to the Annual Accounts.

**J Callaghan is the employee director and £40,964 of his salary and all pension benefits are in respect of non-Board duties.

***J McKay is a stakeholder director for the Area Clinical Forum and £57,069 and all pension benefits are in respect of non-Board duties.

****The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.

Pension Benefits						
Board Members	Accrued pension at pension age as at 31/03/2015 and related lump sum (Bands of £5,000)	Real Increase in pension and related lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2015 (£'000)	***** Cash Equivalent Transfer Value (CETV) at 31/03/2014 (£'000)	Real Increase in CETV (£'000)	
Executive						
Mr J Burns, Chief Executive	50 - 55 plus lump sum of 150 - 155	2.5 - 5 plus lump sum of 7.5 - 10	1,023	925	68	
Mr D Lindsay, Director of Finance	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 2.5 - 5	496	458	19	
Dr A Gunning, Director for Strategic Planning, Policy and Performance	45 - 50 plus lump sum of 145 - 150	0 - 2.5 plus lump sum of 2.5 - 5	1,095	1,022	44	
Dr A Graham, Medical Director	50 - 55 plus lump sum of 160 - 165	0 - 2.5 plus lump sum of 5 - 7.5	1,028	954	40	
Dr C Davidson, Director of Public Health	50 - 55 plus lump sum of 155 - 160	2.5 - 5 plus lump sum of 7.5 - 10	1,184	1,077	74	
Mrs F McQueen, Nurse Director	35 - 40 plus lump sum of 115 - 120	0 - 2.5 plus lump sum of 5 - 7.5	806	741	48	
Mr J Callaghan, Non-executive Director	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of 0 - 2.5	478	460	9	
Dr J McKay, Non-executive Director	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of 0 - 2.5	420	394	14	

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

Payments to Non-Executive Directors' and Executive Directors'

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

Remuneration (salary, benefits in kind and pensions)

2013-14

Single total figure of remuneration						
Board Members	Directors' Gross Salary (Bands of £5,000)	Bonus Payments (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	***Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14
Executive						
Mr J Burns, Chief Executive	125 - 130	0	0	125 - 130	24	145 - 150
Mr D Lindsay, Director of Finance	100 - 105	0	1.4	100 - 105	6	105 - 110
Dr A Gunning, Director for Strategic Planning, Policy and Performance	115 - 120	0	0	115 - 120	0	115 - 120
Dr A Graham, Medical Director	155 - 160	0	2.1	155 - 160	0	155 - 160
Dr C Davidson, Director of Public Health	165 - 170	0	0	165 - 170	9	175 - 180
Mrs F McQueen, Nurse Director	95 - 100	0	2.7	100 - 105	9	105 - 110
Non-executive						
Dr M Cheyne, Chairman	25 - 30	0	0	25 - 30	0	25 - 30
Mrs K Darwent, Vice Chair	5 - 10	0	0	5 - 10	0	5 - 10
Mrs I Bowie (from 01.11.13)	0 - 5	0	0	0 - 5	0	0 - 5
*Mr J Callaghan	45 - 50	0	1.8	50 - 55	4	50 - 55
Mrs S Dunn (until 30.09.13)	0 - 5	0	0	0 - 5	0	0 - 5
Councillor W Gibson	5 - 10	0	0	5 - 10	0	5 - 10
Councillor H Hunter	5 - 10	0	0	5 - 10	0	5 - 10
Mr R Martin (from 01.11.13)	0 - 5	0	0	0 - 5	0	0 - 5
**Mrs J McKay	65 - 70	0	1.7	65 - 70	12	75 - 80
Mr S McKenzie	5 - 10	0	0	5 - 10	0	5 - 10
Mr A McKie	5 - 10	0	0	5 - 10	0	5 - 10
Councillor D Reid	5 - 10	0	0	5 - 10	0	5 - 10
Miss L Tennant (on sabbatical 01.09.13 to 31.12.13)	5 - 10	0	0	5 - 10	0	5 - 10
Ms G Watson (until 30.04.13)	0 - 5	0	0	0 - 5	0	0 - 5
I Welsh	5 - 10	0	0	5 - 10	0	5 - 10

*J Callaghan is the employee director and £40,558 of salary and all pension benefits are in respect of non-Board duties.

**J McKay is a stakeholder director for the Area Clinical Forum and £57,144 of salary and all pension benefits are in respect of non-Board duties.

***The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.

Pension Benefits					
Board Members	Accrued pension at pension age as at 31/03/2014 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	Cash Equivalent Transfer Value at 31/03/2014 £'000	Cash Equivalent Transfer Value at 31/03/2013 £'000	Real increase in CETV £'000
Executive					
Mr J Burns, Chief Executive	45 - 50 plus lump sum of 140 - 145	0 - 2.5 plus lump sum of 5 - 7.5	925	848	35
Mr D Lindsay, Director of Finance	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 0 - 2.5	458	424	14
Dr A Gunning, Director for Strategic Planning, Policy and Performance	45 - 50 plus lump sum of 140 - 145	0 - 2.5 plus lump sum of 0 - 2.5	1,022	963	12
Dr A Graham, Medical Director	50 - 55 plus lump sum of 150 - 155	(0 - 2.5) plus lump sum of (0 - 2.5)	954	917	(7)
Dr C Davidson, Director of Public Health	45 - 50 plus lump sum of 145 - 150	0 - 2.5 plus lump sum of 2.5 - 5	1,077	1,001	26
Mrs F McQueen, Nurse Director	35 - 40 plus lump sum of 110 - 115	0 - 2.5 plus lump sum of 2.5 - 5	741	690	18
Mr J Callaghan, Non-executive Director	15 - 20 plus lump sum of 55 - 60	0 - 2.5 plus lump sum of 0 - 2.5	460	431	8
Mrs J McKay, Non-executive Director	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of 0 - 2.5	394	363	14

Additional Disclosure Required

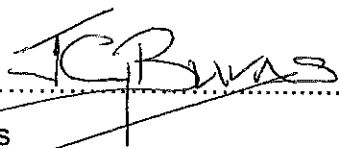
2014/15		2013/14	
Highest Earning Director's Total Remuneration (£000's)	170-175	Highest Earning Director's Total Remuneration (£000's)	165 - 170
Median Total Remuneration	28,887	Median Total Remuneration	28,995
Ratio	5.97	Ratio	5.78

Commentary

Boards are required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Board's workforce. The banded total remuneration of the highest-paid director in NHS Ayrshire and Arran in the financial year 2014/15 was £170,000-£175,000 (2013/14, £165,000-£170,000). In 2014/15 this was 5.97 times the median remuneration of the workforce, which was £28,887. In 2013/14 this was 5.78 times the median remuneration which was £28,995.

There was a marginal reduction year on year in the median remuneration of the workforce. During 2013/14 there were 24 clinical members of staff whose remuneration was higher than the highest earning director. During 2014/15 there were 24 clinical members of staff whose remuneration was higher than the highest paid director.

Total remuneration for this purpose includes salary, non-consolidated performance related pay, as well as severance payments. It does not include employer pension contributions, the cash equivalent transfer value of pensions or benefits in kind.

Signed.....  Date 23/6/15.....
 Chief Executive as
 Accountable Officer

AYRSHIRE & ARRAN HEALTH BOARD

ANNUAL ACCOUNTS 2014/15

**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 Ayrshire & Arran 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 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; and
- 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 the 1 February 2012.

Signed.....  Date 23/6/15.....

Chief Executive

AYRSHIRE & ARRAN HEALTH BOARD

ANNUAL ACCOUNTS 2014/15

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 2015 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the financial reporting manual have not been followed where the effect of the departure is material.
- 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.

Director of Finance *Derek Lindsay*

Chairman *G. A. Payne*

Date *23 June 2015*

Governance Statement

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives including those set by Scottish Ministers. Also, I am responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks and manage risks efficiently, effectively and economically.

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

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the Annual Report and Accounts.

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy and promotes good practice and high standards of propriety. The Board has complied with the SPFM during 2014/15.

Governance Framework

During financial year 2012/2013 the Chairman and Chief Executive agreed to review the Board's governance arrangements in order to ensure a focus of continuous improvement and to strengthen the arrangements in place for NHS Ayrshire & Arran. This work resulted in a refreshed Governance Framework being presented and approved at the NHS Board meeting held on 5 December 2012. The Governance Framework introduced the following committees:

- Audit Committee;
- Healthcare Governance Committee;
- Information Governance Committee;
- Performance Governance Committee; and,
- Staff Governance Committee.

These committees have operated throughout 2014/15 and the Board has considered and discussed the annual report for 2014/15 produced by each of these committees, which confirm that they have fulfilled their remit. The remit of the Audit Committee is to provide assurance to the NHS Board on corporate governance and financial probity. The Audit Committee receives reports from internal and external auditors. The Information Governance Committee was created in early 2013 to provide assurance to the Board on how the organisation handles patient identifiable information in line with Caldicott guidance and ensure compliance with legislation such as the Data Protection Act 1998 and Freedom of Information Act 2000. Details of Personal Data Related Incidents are in the Directors' Report.

The Board approved at its meeting on 25 August 2014 the establishment of an Integrated Governance Committee comprising the chairs of each of the above governance committees and is chaired by the Board Chair and attended by the lead executive director for each of these areas. This group allows an overview and coordination of governance work such as the internal audit programme and corporate risk register.

The function of the Board and its committees during the year was effective due to an appropriate balance of skills, experience, independence and knowledge, to challenge and scrutinise the work of NHS Ayrshire & Arran. An internal audit review of Board Governance arrangements reported to the September 2014 Audit Committee only one low risk recommendation. New Board members received induction and during the year there were Board Workshops for all Board members to discuss particular topics in depth. The Board have a robust performance management approach through the Performance Governance Committee monitoring performance against the targets set in the Local Delivery Plan.

The Board meeting on 3 February 2014 approved "Our Health 2020 : A health and wellbeing framework for Ayrshire and Arran". Specific strategies were approved by the Board during 2014/15 on mental health and wellbeing, healthy weight, and risk management. Each Board meeting received reports on:

- healthcare associated infection;
- safer patient work;
- patient experience story;
- waiting times; and
- financial performance.

In addition the Board reviewed its Code of Corporate Governance which brings all aspects of Corporate Governance (including Standing Orders, Standing Financial instructions and Scheme of Delegation) into a single code. The revisions to the Code were agreed by the Health Board at its meeting on 30 March 2015. A process is in place to assign government circulars and directives to a lead director and follow up actions taken. This ensures compliance with relevant laws and regulations. The Board has in place a Whistle Blowing Policy which was updated in April 2013. This policy provides a protective means to raise concerns regarding the delivery of care, the Health and Safety of employees and visitors or the integrity of the organisation without fear of victimisation.

Integration of Health and Social Care has featured prominently in 2014/15 and the Board in partnership with the three local authorities created three Shadow Integration Boards to plan for the establishment of Health and Social Care Partnerships. Three joint appointments of Directors of Health and Social Care were made and the Integration Joint Boards were formally established on 2 April 2015 and have appointed section 95 officers. Each Partnership approved its first strategic plan in April 2015. In March 2015, the Board internal auditors carried out a review of the Board's readiness for the Integration of Health and Social Care and considered compliance with relevant legislation and guidance. This showed full compliance and no exceptions. Updates on financial aspects of integration were received at Audit Committee meetings in February and April 2015.

The NHS Board meets every two months and receives timely, comprehensive and relevant information for discussion and approval. The Board has positive relationships with stakeholders and is a key participant within community planning arrangements across the three councils. A Board effectiveness assessment was commissioned in July 2014 and reported to a Board workshop in October 2014. This involved a questionnaire to all Board members and an interview with ten. The outcome was largely positive, however seven recommendations for improvement were agreed.

The Board Annual Review was conducted by the Cabinet Secretary for Health, Wellbeing and Sport with stakeholders invited to participate. In all material respects the Board has complied with the UK Corporate Governance Code.

Review of Adequacy and Effectiveness

As Accountable Officer I am responsible for reviewing the adequacy and effectiveness of the system of internal control. My review is informed by:

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

The NHS Board receives minutes from each Governance Committee and receives an annual report from each committee to confirm that their remit has been fulfilled. Where necessary a committee can escalate issues for Board scrutiny.

Audit Scotland carried out an annual review of internal audit to allow reliance to be placed on the work of our internal audit programme. Audit Scotland carried out the review of the internal audit function (provided by PricewaterhouseCoopers) and

concluded that the internal audit service operates in accordance with government internal audit standards and has appropriate documentation standards and reporting procedures in place.

The Head of Internal Audit opinion for 2014/15 was that "based on the risk appetite and the internal audit plan agreed with you, we have completed our programme of work and we believe there are adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met".

Audit Scotland carried out a review of internal controls in April 2015 and their overall assessment was that the key controls within the Board's main financial system are operating satisfactorily.

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

The Financial Management Report was discussed at each Board meeting which includes efficiency measures. During the year, significant overspends on medical and nurse staffing budgets were reported as well as overspends relating to new high cost drug treatments for hepatitis C and short supply issues for generic drugs driving up price. Despite this, NHS Ayrshire & Arran achieved all financial targets for the year 2014/15.

At the May 2014 Board meeting the Board authorised the Chief Executive, or Director of Finance to sign contracts with Balfour Beatty Construction Limited, a project company and various other suppliers related to the design, build, finance and maintenance of Woodland View (formerly North Ayrshire Community Hospital). This project is funded through the Non-Profit Distributing Model and financial close was achieved in June 2014.

Risk Assessment

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

As part of the continuous improvement during the year, a review of existing risk management systems and practices was undertaken and several areas have been identified for improvement. These include a refresh of the electronic reporting system and risk register, further developing a learning culture and improved integration of risk management across the organisation as a whole. The Board approved an updated Risk Management Strategy at its meeting on 1 December 2014 and this set out the risk management philosophy, objectives and organisational standard.

The corporate risk register contains eight high risks in the following areas:

- promoting attendance;
- personal development review;
- mandatory and statutory training;
- statutory management of the estate;
- statutory management of occupational road risk
- delivery of the approved capital plan
- achieving the legal treatment time guarantee; and
- achieving balanced financial plan for 2015/16.

In addition there is one very high risk identified as lack of medical staff. This has clinical implications for quality of care and financial implications as £4.6 million was spent on agency locum doctors in 2014/15. All of these are being actively management by the Corporate Management Team

Disclosures

An internal audit report on information governance policies and procedures was considered at the June 2013 Audit Committee and contained three high risk recommendations. The report and a detailed action plan were considered at both the Audit Committee and Information Governance Committee. A follow-up review showed that these recommendations had not yet been implemented. Since then the Corporate Management Team approved a corporate governance controlled document policy which addresses the main recommendations.

In the first nine months of 2014/15 the Board had 45 patients who breached the 12 week Treatment Time Guarantee (TTG). Due to emergency service pressure over winter, most orthopaedic elective operations were cancelled in January and February 2015 resulting in 388 patients who breached the 12 week TTG in the last quarter.

In late February 2014 it was discovered that there were a number of cystoscopes and resectoscopes missing from the urology theatre and day surgery unit at University Hospital Ayr. This was reported to Counter Fraud Service as well as the Audit Committee and subsequent investigation established that scopes were also missing from University Hospital Crosshouse theatres. The total value of losses amounts to £1.3 million and approval was received from Scottish Government to write these off (£592,748 in 2013/14 accounts and £725,471 in 2014/15 accounts). In July 2014 a member of staff in the central decontamination unit was arrested and subsequently charged with theft. The Board has now extended the electronic tracking system used in the central decontamination unit to track scopes in theatres also.

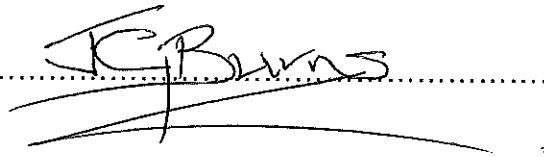
During 2014/15 there were three reports issued following visits by the Healthcare Environmental Inspectorate of Healthcare Improvement Scotland. Two reports related to Ayr Hospital and one for Crosshouse Hospital. Each had a small number of requirements or recommendations which were responded to through an action plan. The reports and action plans were considered at the Healthcare Governance

Committee of the Board and are shown on the Board public website using the following link. <http://www.nhsaaa.net/publications/hei.aspx>

NHS Ayrshire & Arran is committed to continuous improvement and takes cognisance of relevant reviews and developments in best practice. Other than those highlighted above, during 2014/15 no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Ayrshire and Arran Health Board Endowment Fund. This statement reflects any relevant disclosure in respect of these Endowment accounts. Assurance has been received from the Endowment Committee as well as the fact that Endowment Funds are subject to audit.

Chief Executive.....

Handwritten signature of J. Burns in black ink, written over a dotted line. The signature is stylized and appears to be 'J. Burns'.

Date.....

23 June 2015

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

I have audited the financial statements of Ayrshire and Arran Health Board and its group for the year ended 31 March 2015 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, the Balance Sheet, the Statement of Consolidated Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

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 125 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 Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the board and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on 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 the state of affairs of the board and its group as at 31 March 2015 and of their net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

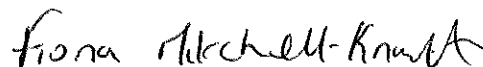
Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
 Assistant Director (Audit Services)
 Audit Scotland
 4th Floor, South Suite
 The Athenaeum Building
 8 Nelson Mandela Place
 Glasgow
 G2 1BT



23 June 2015

NHS Ayrshire and Arran

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
AND SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2015

Restated 2014 £'000		Note	2015 £'000	2015 £'000
	Clinical Services Costs			
580,901	Hospital and Community	4	591,991	
24,714	Less: Hospital and Community Income	8	26,060	
<u>556,187</u>				565,931
176,132	Family Health	5	181,552	
5,243	Less: Family Health Income	8	5,632	
<u>170,889</u>				<u>175,920</u>
727,076	Total Clinical Services Costs			741,851
2,958	Administration Costs	6	2,790	
14	Less: Administration Income	8	25	
<u>2,944</u>				2,765
20,767	Other Non Clinical Services	7	11,456	
15,780	Less: Other Operating Income	8	16,842	
<u>4,987</u>				<u>(5,386)</u>
735,007	Net Operating Costs			739,230

OTHER COMPREHENSIVE NET EXPENDITURE

2014 £'000		2015 £'000
(20,575)	Net (gain)/loss on revaluation of Property Plant and Equipment	(15,171)
(378)	Net (gain)/loss on revaluation of available for sales financial assets	(729)
<u>(20,953)</u>	Other Comprehensive Expenditure	<u>(15,900)</u>
714,054	Total Comprehensive Expenditure	723,330

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS AYRSHIRE AND ARRAN

STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN (Cont.)

FOR THE YEAR ENDED 31 MARCH 2015

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	2015 £'000	2015 £'000
Net Operating Costs		739,230
Total Non Core Expenditure (see below)		(14,987)
FHS Non Discretionary Allocation		(42,075)
Donated Assets Income		324
Endowment Net Operating Costs		60
Total Core Expenditure		682,552
Core Revenue Resource Limit		682,898
Saving/(excess) against Core Revenue Resource Limit		346

**SUMMARY OF NON CORE REVENUE RESOURCE
OUTTURN**

Capital Grants to / (from) Other Bodies	320	
Depreciation/Amortisation	14,170	
Annually Managed Expenditure - Impairments	645	
Annually Managed Expenditure - Creation of Provisions	(2,290)	
Annually Managed Expenditure - Depreciation of Donated Assets	375	
Additional SGHSCD non-core funding	145	
IFRS PFI Expenditure	1,622	
Total Non Core Expenditure		14,987
Non Core Revenue Resource Limit		14,987
Saving/(excess) against Non Core Revenue Resource Limit		0

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	682,898	682,552	346
Non Core	14,987	14,987	0
Total	697,885	697,539	346

NHS Ayrshire and Arran

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2015

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
310,647	310,647	315,735	315,735	Property, plant and equipment	11	348,429	348,429
0	0	0	0	Intangible assets	10	0	0
10,875	0	11,102	0	Financial assets:			
19,285	19,285	23,078	23,078	Available for sale financial assets	14	12,563	0
340,807	329,932	349,915	338,813	Trade and other receivables	13	27,350	27,350
				Total non-current assets		388,342	375,779
3,296	3,296	3,767	3,767	Current Assets:			
10,883	10,893	18,812	18,816	Inventories	12	3,849	3,849
1,133	115	1,258	115	Financial assets:			
0	0	0	0	Trade and other receivables	13	8,764	8,763
2,630	2,630	3,870	3,870	Cash and cash equivalents	15	607	117
17,942	16,934	27,707	26,568	Available for sale financial assets	14	0	0
				Assets classified as held for sale	11c	2,050	2,050
				Total current assets		15,270	14,779
358,749	346,866	377,622	365,381	Total assets		403,612	390,558
(3,173)	(3,173)	(10,653)	(10,653)	Current liabilities			
(58,801)	(58,726)	(53,242)	(53,204)	Provisions	17	(15,750)	(15,750)
0	0	0	0	Financial liabilities:			
(61,974)	(61,899)	(63,895)	(63,857)	Trade and other payables	16	(54,411)	(54,349)
				Derivatives financial liabilities	28	0	0
296,775	284,967	313,727	301,524	Total current liabilities		(70,161)	(70,099)
				Non-current assets plus/less net current assets/liabilities		333,451	320,459
(43,606)	(43,606)	(55,589)	(55,589)	Non-current liabilities			
(26,702)	(26,702)	(27,037)	(27,037)	Provisions	17	(43,666)	(43,666)
(70,308)	(70,308)	(82,626)	(82,626)	Financial liabilities:			
				Trade and other payables	16	(47,735)	(47,735)
226,467	214,659	231,101	218,898	Total non-current liabilities		(91,401)	(91,401)
161,464	161,464	151,250	151,250	Assets less liabilities		242,050	229,058
53,195	53,195	67,648	67,648	Taxpayers' Equity			
11,808	0	12,203	0	General fund	SOCTE	153,445	153,445
226,467	214,659	231,101	218,898	Revaluation reserve	SOCTE	75,613	75,613
				Fund held on Trust	SOCTE	12,992	0
				Total taxpayers' equity		242,050	229,058

Adopted by the Board on 23 June 2015

Renek Lindsay Director of Finance

JCBMAS Chief Executive

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS AYRSHIRE AND ARRAN
STATEMENT OF CONSOLIDATED CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2015

Restated 2014 £'000		2015 £'000	2015 £'000
	Cash flows from operating activities		
(735,007)	Net operating cost	(739,230)	
21,513	Adjustments for non-cash transactions	16,333	
3,773	Add back: interest payable recognised in net operating cost	3,841	
(320)	Deduct: interest receivable recognised in net operating cost	(397)	
(11,722)	(Increase) / decrease in trade and other receivables	5,790	
(471)	(Increase) / decrease in inventories	(82)	
(5,955)	Increase / (decrease) in trade and other payables	521	
19,463	Increase / (decrease) in provisions	(6,826)	
<u>(708,726)</u>	Net cash outflow from operating activities	<u>33</u>	<u>(720,050)</u>
	Cash flows from investing activities		
(8,141)	Purchase of property, plant and equipment	(36,191)	
(2,119)	Investment Additions	(4,880)	
355	Proceeds of disposal of property, plant and equipment	1,611	
2,270	Receipts from sale of investments	4,149	
320	Interest received	397	
<u>(7,315)</u>	Net cash outflow from investing activities	<u>33</u>	<u>(34,914)</u>
	Cash flows from financing activities		
720,687	Funding	737,273	
0	Movement in general fund working capital	2	
720,687	Cash drawn down	737,275	
(748)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	20,879	
(369)	Interest paid	(326)	
(3,404)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,515)	
<u>716,166</u>	Net Financing	<u>33</u>	<u>754,313</u>
125	Net Increase / (decrease) in cash and cash equivalents in the period		(651)
<u>1,133</u>	Cash and cash equivalents at the beginning of the period		<u>1,258</u>
<u>1,258</u>	Cash and cash equivalents at the end of the period		<u>607</u>
	Reconciliation of net cash flow to movement in net debt/cash		
125	Increase/(decrease) in cash in year		(651)
<u>1,133</u>	Net debt/cash at 1 April		<u>1,258</u>
<u>1,258</u>	Net debt/cash at 31 March		<u>607</u>

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS Ayrshire and Arran

CONSOLIDATED STATEMENT OF CHANGES IN

TAXPAYERS' EQUITY FOR THE YEAR ENDED

CONSOLIDATED SOCIETY

	31 MARCH 2015 Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2014		151,250	67,648	12,203	231,101
Prior year adjustments for changes in accounting policy and material errors	25		0		0
Restated balance at 1 April 2014		151,250	67,648	12,203	231,101
Changes in taxpayers' equity for 2014-15					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	15,171		15,171
Net gain/(loss) on revaluation of available for sale financial assets	14		0	729	729
Impairment of property, plant and equipment	11		(3,773)		(3,773)
Revaluation & impairments taken to operating costs	3		779		779
Transfers between reserves		4,212	(4,212)		0
Net operating cost for the year		(739,290)		60	(739,230)
Total recognised income and expense for 2014-15		(735,078)	7,965	789	(726,324)
Funding:					
Drawn down		737,275			737,275
Movement in General Fund (Creditor) / Debtor	cfs	(2)			(2)
Balance at 31 March 2015	BS	153,445	75,613	12,992	242,050

CONSOLIDATED SOCIETY (PRIOR YEAR)

	Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust	Total Reserves £'000
Balance at 31 March 2013		178,570	53,195	11,808	243,573
Prior year adjustments for changes in accounting policy and material errors	25	(17,106)	0	0	(17,106)
Restated balance at 1 April 2013		161,464	53,195	11,808	226,467
Changes in taxpayers' equity for 2013-14					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	20,575		20,575
Net gain/(loss) on revaluation of available for sale financial assets	14		0	378	378
Impairment of property, plant and equipment	11		(9,305)		(9,305)
Revaluation & impairments taken to operating costs	3		7,306		7,306
Transfers between reserves		4,123	(4,123)		0
Net operating cost for the year		(735,024)		17	(735,007)
Total recognised income and expense for 2013-14		(730,901)	14,453	395	(716,053)
Funding:					
Drawn down		720,687			720,687
Movement in General Fund (Creditor) / Debtor		0			0
Balance at 31 March 2014	BS	151,250	67,648	12,203	231,101

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS AYRSHIRE AND ARRAN**ACCOUNTING POLICIES****1. Authority**

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 30 below.

(a) Standards, amendments and interpretations effective in current year

The following new standards, amendments and interpretations became effective in 2014/15 for the first time:

IFRS 10 – Consolidated Financial Statements;
IFRS 11 – Joint Arrangements;
IFRS 12 – Disclosure of Interest in Other Entities;
IAS 27 – Separate Financial Statements; and
IAS 28 – Investments in Associates and Joint Ventures.

With the exception of IAS 27 on Separate Financial Statements which requires the Consolidation of the Board's Endowment accounts there is no impact on the financial statements as a result of the above.

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

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

(c) Disclosure of New Accounting Standards

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure of information on the expected impact of new accounting standards that have been issued but not yet in effect. The following standards have been issued but are not yet effective.

IFRS 13 Fair Value Measurement. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. It is not anticipated that this standard will have any material effect on the accounts of the Board or consolidated entity.

IAS 36 – Impairment of assets – this modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets in IFRS 13 above. The impact on the financial statements is expected to be minimal.

2. Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Ayrshire and Arran Health Board Endowment Fund.

NHS Endowment Funds were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

Ayrshire and Arran Health Board Endowment Fund is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis. The accounts of the charity have been prepared in accordance with applicable UK accounting standards, the Statement of Recommended Practice - "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005 (as amended) and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The basis of consolidation used is Merger Accounting. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

Note 33 to the Annual Accounts, details how these consolidated Financial Statements have been calculated

3. Prior Year Adjustments

The prior years comparative figures have been restated to take effect of the following:

Retrospective Restatement – Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

CNORIS is a risk transfer and financing scheme for NHSScotland, and further

details are set out at Note 17b.

The change in accounting treatment in 2014/15 relates to the recognition of the Board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. To ensure consistency, equivalent adjustments have been made to the position of the prior year as follows:

Provision recognising the Board's liability from participating in the scheme at 31 March : £17,106,000 at 31 March 2013 (£25,264,000 at 31 March 2014).

The movement in the provision between financial years is matched by a corresponding adjustment in Annually Managed Expenditure provision and is classified as non-core expenditure.

4. Going Concern

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

5. Accounting Convention

The Accounts are prepared on an historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities at fair value.

6. Funding

6.1 NHS Ayrshire and Arran Board

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

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

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

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

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

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net Expenditure except where it results in the creation of a non-current asset such as property, plant and equipment.

6.2 Ayrshire and Arran Health Board Endowment Fund

All incoming resources are recognised once the Ayrshire and Arran Health Board Endowment Funds has received its entitlement to the resources, it is certain that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Legacies and donations to the Ayrshire and Arran Health Board Endowment Fund are accounted for as incoming resources upon receipt and classified as restricted or unrestricted based on the donors' stated wishes.

Income from investment of charitable endowment funds is earmarked as restricted or unrestricted based on the classification of the original legacy or donation in line with the donor's stated wishes.

All expenditure, including grants, is accounted for on an accruals basis and is only incurred where this will further the charitable objects of the Ayrshire and Arran Health Board Endowment Funds. All expenditure is recognised once there is a legal or constructive obligation committing the fund to the expenditure.

7. Property, plant and equipment

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

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

7.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, the Board; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.

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

7.2 Measurement

Valuation:

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Non specialised land and buildings, such as offices, are stated at fair value.

Valuations of all land and building assets are reassessed by valuers on an annual basis of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

Non-specialised equipment, installations and fittings are valued at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses:

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

Items of Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Depreciation is charged on each main class of tangible asset as follows:

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
- 4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Buildings Structure (Depreciated Replacement Cost)	3 to 72
Buildings Engineering (Depreciated Replacement Cost)	1 to 33
Buildings (Existing Use Value)	2 to 40
Moveable Engineering Plant	15
Furniture and Medium Life Equipment	10
Short/Medium Life Medical Equipment	7
Information Technology	5
Vehicles and Soft Furnishings	5
Office, Short Life Medical and Other Equipment	5

8. Intangible Assets

8.1 Recognition

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

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

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

Software licences:

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

8.2 Measurement

Valuation:

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Intangible assets held for sale are reclassified to 'non-current assets held for sale' measured at the lower of their carrying amount or 'fair value less costs to sell'.

8.3 Amortisation

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

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

9. Non-current assets held for sale

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

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to

be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

10. Donated Assets

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

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

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

12. Leasing

Finance leases

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

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

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end

of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

NHS Ayrshire and Arran provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'Category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

19. Related Party Transactions

Material related party transactions are disclosed in the note 29 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

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

21. PFI /HUB/NPD Schemes

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

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

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

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

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

22. Provisions

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

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 19 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 19, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

(c) Available-for-sale financial assets

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

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

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the

case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

Financial Liabilities

Classification

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

Management determines the classification of its financial liabilities at initial recognition.

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

Financial liabilities at fair value through profit or loss comprise derivatives.

Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

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

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Other financial liabilities

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

26. Segmental reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health and Other Service and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

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

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

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

29. Third party assets

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

However, they are disclosed in note 31 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

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

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

Clinical and Medical Negligence Claims

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

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

Early Retirement and Injury Benefits

The Board has provided for the estimated future costs relating to early retirement and injury benefits. Reliance is placed on information provided by other parties in order to establish the value of such provisions. The Scottish Public Pensions Agency provides details of claimants and the amounts the Board is due to pay over. Future payments are estimated using a discount rate provided by HM Treasury and life tables provided by the Office for National Statistics (ONS). Any future significant changes to the discount rate or the life tables could have a material impact on the level of provision required.

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

2. (a) STAFF NUMBERS AND COSTS

						2015	2014	
	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £000s	Other Staff £'000	Outward Secondees £'000	Total £'000	Total £'000
STAFF COSTS								
Salaries and wages	731	122	301,553			(751)	301,655	294,095
Social security costs	94	4	23,326			(68)	23,356	22,889
NHS scheme employers' costs	100		35,205			(84)	35,221	34,038
Inward secondees				129			129	447
Agency staff					5,889		5,889	6,234
	925	126	360,084	129	5,889	(903)	366,250	357,703
Compensation for loss of office or early retirement			30				30	68
TOTAL	925	126	360,114	129	5,889	(903)	366,280	357,771

STAFF NUMBERS
(EMPLOYEES BY WHOLE TIME EQUIVALENT)

	2015 ANNUAL MEAN	2014 ANNUAL MEAN
Administration Costs	53.4	55.8
Hospital and Community Services	8,567.1	8,355.4
Non Clinical Services	127.5	121.3
Other, including recharge Trading Accounts	390.9	372.8
Inward secondees	3.6	11.9
Agency staff	52.0	72.5
Outward Secondees	(15.6)	(19.4)
Board Total Average Staff	9,178.9	8,970.3
Disabled staff	55.8	63.6

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

note 24

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

Other employees whose remuneration fell within the following ranges:	Clinicians		Other	
	2015 Number	2014 Number	2015 Number	2014 Number
£ 50,001 to £ 60,000	146	136	42	42
£ 60,001 to £ 70,000	57	67	18	21
£ 70,001 to £ 80,000	32	27	8	5
£ 80,001 to £ 90,000	45	50	0	0
£ 90,001 to £100,000	49	38	3	3
£100,001 to £110,000	35	44	2	2
£110,001 to £120,000	40	35	1	1
£120,001 to £130,000	32	27	1	1
£130,001 to £140,000	22	18	0	0
£140,001 to £150,000	21	18	0	0
£150,001 to £160,000	16	16	0	0
£160,001 to £170,000	11	10	0	0
£170,001 to £180,000	7	7	0	0
£180,001 to £190,000	11	6	0	0
£190,001 to £200,000	2	3	0	0
£200,001 and above	5	5	0	0

NHS Ayrshire and Arran
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

3. OTHER OPERATING COSTS

2014 £'000		Note	2015 £'000
	Expenditure Not Paid In Cash		
15,625	Depreciation	<u>11</u>	15,792
430	Depreciation Donated Assets	<u>11b</u>	375
6,246	Impairments on PPE charged to SOCNE	<u>11</u>	313
(23)	Reversal of impairments on PPE charged to SOCNE	<u>11</u>	(32)
1,083	Loss on remeasurement of non-current assets held for sale	<u>11c</u>	498
(183)	Funding Of Donated Assets	<u>11b</u>	(324)
(3)	Loss/(Profit) on disposal of property, plant and equipment		(289)
(1,662)	Other non cash costs-PPE Transfer		0
<u>21,513</u>	Total Expenditure Not Paid In Cash	<u>CFS</u>	<u>16,333</u>
	Interest Payable		
3,404	PFI Finance lease charges allocated in the year	<u>23</u>	3,495
	Other Finance lease charges allocated in the year		20
369	Provisions - Unwinding of discount		326
<u>3,773</u>	Total		<u>3,841</u>
	Statutory Audit		
225	External auditor's remuneration and expenses		<u>228</u>

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2014 £'000			2015 £'000
	BY PROVIDER		
479,617	Treatment in Board area of NHSScotland Patients		487,080
54,724	Other NHSScotland Bodies		55,897
586	Health Bodies outside Scotland		551
5,054	Primary care bodies		5,338
4,646	Private sector		5,681
	Community Care		
6,064	Support Finance		6,325
24,326	Resource Transfer		24,903
5,426	Contributions to Voluntary Bodies and Charities		5,536
<u>580,443</u>	Total NHSScotland Patients		<u>591,311</u>
458	Treatment of UK residents based outside Scotland		680
<u>580,901</u>	Total Hospital & Community Health Service	<u>SOCNE</u>	<u>591,991</u>

NHS AYRSHIRE AND ARRAN
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5. FAMILY HEALTH SERVICE EXPENDITURE

2014 TOTAL £'000		Unified Budget £'000	Non Disc £'000	2015 TOTAL £'000
52,595	Primary Medical Services	53,822	0	53,822
87,560	Pharmaceutical Services	77,700	13,389	91,089
28,258	General Dental Services	2,618	26,332	28,950
<u>7,719</u>	General Ophthalmic Services	<u>224</u>	<u>7,467</u>	<u>7,691</u>
<u>176,132</u>	Total	<u>134,364</u>	<u>47,188</u>	<u>181,552</u>

6. ADMINISTRATION COSTS

2014 £'000			2015 £'000
1,083	Board members' remuneration	Note 2 (a)	1,051
119	Administration of Board Meetings and Committees		95
433	Corporate Governance and Statutory Reporting		437
536	Health Planning, Commissioning and Performance Reporting		454
193	Treasury Management and Financial Planning		187
349	Public Relations		343
<u>245</u>	Other		<u>223</u>
<u>2,958</u>	Total administration costs	<u>SOCNE</u>	<u>2,790</u>

7. OTHER NON CLINICAL SERVICES

2014 £'000			2015 £'000
29	Closed hospital charges		26
10,860	Compensation payments - Clinical		246
378	Compensation payments - Other		500
434	Pension enhancement & redundancy		798
184	Patients' Travel Attending Hospitals		186
11	Patients' Travel Highlands and Islands scheme		10
2,776	Health Promotion		2,876
2,272	Public Health		2,131
120	Emergency Planning		118
97	Post Graduate Medical Education		84
2,276	Shared Services		2,537
1,262	Endowment Expenditure		1,604
<u>68</u>	Other		<u>340</u>
<u>20,767</u>	Total Other Non Clinical Services	<u>SOCNE</u>	<u>11,456</u>

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

8. OPERATING INCOME

2014 £'000		2015 £'000
	Hospital and Community Health Services Income	
	NHSScotland Bodies	
23,131	Boards	24,267
458	NHS Non-Scottish Bodies	680
	Non NHS	
139	Private Patients	151
912	Compensation Income	904
74	Other Hospital and Community Health Services income	58
<u>24,714</u>	Total Hospital and Community Health Services Income	<u>SOCNE 26,060</u>
	Family Health Service Income	
136	Unified	519
	Non Discretionary	
5,107	General Dental Services	5,113
<u>5,243</u>	Total Family Health Services Income	<u>SOCNE 5,632</u>
<u>14</u>	Administration Income	<u>SOCNE 25</u>
	Other Operating Income	
3	Profit on disposal of non current assets	289
183	Donated Asset Additions	324
2,123	Shared Services	2,426
1,279	Endowment Income	1,664
12,192	Other	12,139
<u>15,780</u>	Total Other Operating Income	<u>SOCNE 16,842</u>
<u>45,751</u>	Total Income	<u>48,559</u>
<u>23,131</u>	Of the above, the amount derived from NHS bodies is	<u>24,267</u>

NHS Ayrshire and Arran

Notes to the Accounts

For the year ended 31 March 2015

9. Analysis of Capital Expenditure

2014 £'000		Note	2015 £'000
EXPENDITURE			
9,620	Acquisition of Property, plant and equipment	<u>11</u>	36,641
183	Donated Asset Additions	<u>11b</u>	324
<u>9,803</u>	Gross Capital Expenditure		<u>36,965</u>
INCOME			
352	Value of disposal of Non-Current Assets held for sale	<u>11c</u>	1,322
183	Donated Asset Income		324
<u>535</u>	Capital Income		<u>1,646</u>
<u>9,268</u>	Net Capital Expenditure		<u>35,319</u>

SUMMARY OF CAPITAL RESOURCE OUTTURN

9,268	Core capital expenditure included above	13,939
<u>9,268</u>	Core Capital Resource Limit	<u>13,941</u>
<u>0</u>	Saving/(excess) against Core Capital Resource Limit	<u>2</u>
0	Non Core capital expenditure included above	21,380
<u>0</u>	Non Core Capital Resource Limit	<u>21,380</u>
<u>0</u>	Saving/(excess) against Non Core Capital Resource Limit	<u>0</u>
9,268	Total Capital Expenditure	35,319
<u>9,268</u>	Total Capital Resource Limit	<u>35,321</u>
<u>0</u>	Saving/(excess) against Total Capital Resource Limit	<u>2</u>

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
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10. INTANGIBLE ASSETS - CONSOLIDATED AND BOARD

2014		2015
Software Licences £'000		Software Licences £'000
<u>21</u>	Cost or Valuation:	<u>21</u>
<u>21</u>	As at 1st April 2014	<u>21</u>
	At 31st March 2015	
	Amortisation	
<u>21</u>	As at 1st April 2014	<u>21</u>
<u>21</u>	At 31st March 2015	<u>21</u>
<u>0</u>	Net Book Value at 1st April 2014	<u>0</u>
<u>0</u>	Net Book Value at 31 March 2015	<u>0</u>
		B S <u>0</u>

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - CONSOLIDATED AND BOARD

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2014	18,878	271,324	2,461	192	71,221	27,492	9,630	4,236	405,434
Additions	0	4,281	0	0	2,210	1,387	60	28,703	36,641
Revaluation	0	6,108	(14)	0	0	0	0	0	6,094
Impairment Charge	(150)	(2,844)	0	0	0	0	0	0	(2,994)
Disposals	0	0	0	0	(62)	0	0	(148)	(210)
At 31 March 2015	18,728	278,869	2,447	192	73,369	28,879	9,690	32,791	444,956
Depreciation									
At 1 April 2014	0	528	0	192	60,285	25,078	6,551	0	92,634
Provided during the year	0	8,877	81	0	3,998	934	1,902	0	15,792
Revaluation	0	(8,903)	(81)	0	0	0	0	0	(8,984)
Impairment Charge	0	122	0	0	0	0	0	191	313
Impairment Reversal	0	(32)	0	0	0	0	0	0	(32)
Disposals	0	0	0	0	(62)	0	0	(148)	(210)
At 31 March 2015	0	592	0	192	64,221	26,012	8,463	43	99,513
Net book value at 1 April 2014	18,878	270,796	2,461	0	10,936	2,414	3,079	4,236	312,800
Net book value at 31 March 2015	18,728	278,277	2,447	0	9,148	2,867	1,237	32,748	346,452
	9,698								
Open Market Value of Land in Land and Dwellings Included Above									
Asset financing:									
Owned	18,728	243,825	2,447	0	9,148	2,867	1,237	11,368	289,620
Finance leased	0	1,675	0	0	0	0	0	0	1,675
On-balance sheet PFI contracts	0	32,777	0	0	0	0	0	21,380	54,157
Net book value at 31 March 2015	18,728	278,277	2,447	0	9,148	2,867	1,237	32,748	346,452

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - PRIOR YEAR CONSOLIDATED AND BOARD

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2013	20,991	255,306	2,482	201	70,282	27,037	9,564	8,831	394,694
Additions	0	1,427	0	0	1,945	455	68	5,727	9,620
Completions	0	4,723	0	0	0	0	0	(4,723)	0
Transfers	600	1,062	0	0	0	0	0	0	1,662
Transfers (to)/from non-current assets held for sale	(1,363)	(1,354)	0	0	0	0	0	0	(2,717)
Revaluation	0	10,808	(21)	0	0	0	0	0	10,787
Impairment Charge	(1,350)	(648)	0	0	0	0	0	0	(1,998)
Disposals	0	0	0	(9)	(1,006)	0	0	(5,599)	(6,614)
At 31 March 2014	18,878	271,324	2,461	192	71,221	27,492	9,630	4,236	405,434
Depreciation									
At 1 April 2013	0	466	0	201	56,642	23,660	5,545	598	87,112
Provided during the year	0	8,472	80	0	4,649	1,418	1,006	0	15,625
Transfers (to)/from non-current assets held for sale	0	(42)	0	0	0	0	0	0	(42)
Revaluation	(1,000)	(8,591)	(80)	0	0	0	0	0	(9,671)
Impairment Charge	1,000	246	0	0	0	0	0	5,001	6,247
Impairment Reversal	0	(23)	0	0	0	0	0	0	(23)
Disposals	0	0	0	(9)	(1,006)	0	0	(5,599)	(6,614)
At 31 March 2014	0	528	0	192	60,285	25,078	6,551	0	92,634
Net book value at 1 April 2013	20,991	254,840	2,482	0	13,640	3,377	4,019	8,233	307,582
Net book value at 31 March 2014	18,878	270,796	2,461	0	10,936	2,414	3,079	4,236	312,800
	9,848								
Open Market Value of Land in Land and Dwellings Included Above									
Asset financing:									
Owned	18,878	236,933	2,461	0	10,936	2,414	3,079	4,236	278,937
Finance leased	0	1,736	0	0	0	0	0	0	1,736
On-balance sheet PFI contracts	0	32,127	0	0	0	0	0	0	32,127
Net book value at 31 March 2014	18,878	270,796	2,461	0	10,936	2,414	3,079	4,236	312,800

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

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11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - CONSOLIDATED AND BOARD

	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2014	1,489	81	4,664	17	112	6,363
Additions	0	0	324	0	0	324
Revaluation	47	0	0	0	0	47
At 31 March 2015	1,536	81	4,988	17	112	6,734
Depreciation						
At 1 April 2014	0	80	3,229	17	102	3,428
Provided during the year	46	1	318	0	10	375
Revaluation	(46)	0	0	0	0	(46)
At 31 March 2015	0	81	3,547	17	112	3,757
Net book value at 1 April 2014	1,489	1	1,435	0	10	2,935
Net book value at 31 March 2015	B.S. 1,536	0	1,441	0	0	2,977
Asset financing:						
Owned	1,536	0	1,441	0	0	2,977
Net Book Value at 31 March 2015	1,536	0	1,441	0	0	2,977

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR CONSOLIDATED AND BOARD

	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2013	1,416	81	4,481	17	112	6,107
Additions	0	0	183	0	0	183
Revaluation	73	0	0	0	0	73
At 31 March 2014	1,489	81	4,664	17	112	6,363
Depreciation						
At 1 April 2013	0	67	2,861	17	97	3,042
Provided during the year	44	13	368	0	5	430
Revaluation	(44)	0	0	0	0	(44)
At 31 March 2014	0	80	3,229	17	102	3,428
Net book value at 1 April 2013	1,416	14	1,620	0	15	3,065
Net book value at 31 March 2014	B.S. 1,489	1	1,435	0	10	2,935
Asset financing:						
Owned	1,489	1	1,435	0	10	2,935
Net book value at 31 March 2014	1,489	1	1,435	0	10	2,935

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

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11 (c). ASSETS HELD FOR SALE - BOARD AND CONSOLIDATED

The following assets relate to former hospitals and health centre/clinic sites have been presented as held for sale following the approval for sale by the NHS Board:

Strathlea Resource Centre, Girvan Health Centre, Nightingale House, Seafield Old OPD and Heathfield Site. The completion date for sale is expected to be prior to the 31st March 2016.

Davidson Hospital, Holmhead Hospital Seafield House, Land at Ayrshire Central, Miller Road Ayr, Strathdoon Resource Centre, Kilwinning Clinic and Prestwick Clinic were sold in 2014/15.

2014			2015	
Property, Plant & Equipment			Property, Plant & Equipment	
£'000				£'000
2,630		At 1 April		3,870
2,675	11a	Transfers (to)/from property, plant and equipment	11a	0
(1,083)		Gain or losses recognised on remeasurement of non-current assets held for sale		(498)
(352)		Disposals for non-current assets held for sale		(1,322)
<u>3,870</u>	BS	As at 31 March	BS	<u>2,050</u>

NHS Ayrshire and Arran

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11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2014 £'000	Board 2014 £'000		Consolidated 2015 £'000	Board 2015 £'000
		Net book value of property, plant and equipment at 31 March		
312,800	312,800	Purchased	<u>11a</u> 345,452	345,452
2,935	2,935	Donated	<u>11b</u> 2,977	2,977
315,735	315,735	Total	<u>B S</u> 348,429	348,429
9,848	9,848	Net book value related to land valued at open market value at 31 March	9,698	9,698
25,435	25,435	Net book value related to buildings valued at open market value at 31 March	25,345	25,345
1,736	1,736	Total value of assets held under:		
32,127	32,127	Finance Leases	1,675	1,675
		PFI and PPP Contracts	54,157	54,157
33,863	33,863		55,832	55,832
61	61	Total depreciation charged in respect of assets held under:		
1,435	1,435	Finance leases	61	61
		PFI and PPP contracts	1,622	1,622
1,496	1,496		1,683	1,683

Land and buildings were fully revalued by the Valuation Office Agency as at 31st March 2015 on the basis of fair value (market value or depreciated replacement cost where appropriate).

The net impact was an increase in the value of purchased assets of £11.398m (2013/14 increase of £11.271m) of which £12.177m was charged to the Revaluation Reserve (2013/14 £18.577m) and £0.779m was charged to the Statement of Comprehensive Net Expenditure (2013/14 £7.306m).

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12. INVENTORIES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Consolidated 2015 £'000	Board 2015 £'000
3,296	3,296	3,767	3,767	Raw Materials and Consumables	3,849	3,849
<u>3,296</u>	<u>3,296</u>	<u>3,767</u>	<u>3,767</u>	Total Inventories	<u>3,849</u>	<u>3,849</u>

B S

NHS Ayrshire and Arran
NOTES TO THE ACCOUNTS
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13. TRADE AND OTHER RECEIVABLES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
1,129	1,129	2,279	2,279	Receivables due within one year			
				NHSScotland			
				Boards		894	894
1,129	1,129	2,279	2,279	Total NHSScotland Receivables		894	894
116	116	179	179	NHS Non-Scottish Bodies		98	98
864	864	773	773	VAT recoverable		565	565
2,228	2,228	2,163	2,163	Prepayments		965	965
1,336	1,336	1,202	1,202	Accrued income		1,914	1,914
2,555	2,565	2,604	2,608	Other Receivables		2,863	2,862
2,204	2,204	9,609	9,609	Reimbursement of provisions		1,462	1,462
451	451	3	3	Other Public Sector Bodies		3	3
10,883	10,893	18,812	18,816	Total Receivables due within one year	B S	8,764	8,763
19,285	19,285	23,078	23,078	Receivables due after more than one year			
				NHSScotland			
				Reimbursement of Provisions		27,350	27,350
19,285	19,285	23,078	23,078	Total Receivables due after more than one year	B S	27,350	27,350
30,188	30,178	41,890	41,894	TOTAL RECEIVABLES		36,114	36,113
72	72	61	61	The total receivables figure above includes a provision for impairments of :		46	46

2014 £'000	2014 £'000	Movements on the provision for impairment of receivables are as follows:	2015 £'000	2015 £'000
72	72	At 1 April	61	61
21	21	Provision for impairment	7	7
(32)	(32)	Receivables written off during the year as uncollectible	(22)	(22)
61	61	At 31 March	46	46

As of 31 March 2015, receivables with a carrying value of £46k (2014: £61k) were impaired and provided for. The amount of the provision was £46k (2014: £61k). The ageing of these receivables is as follows:

2014 £'000	2014 £'000		2015 £'000	2015 £'000
8	8	3 to 6 months past due	5	5
53	53	Over 6 months past due	41	41
61	61		46	46

The receivables assessed as individually impaired were mainly overseas and dental patients, employees and former employees.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2015, receivables with a carrying value of £2483k (2014: £3770k) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2014 £'000	2014 £'000		2015 £'000	2015 £'000
3,635	3,635	Up to 3 months past due	2,419	2,419
39	39	3 to 6 months past due	5	5
96	96	Over 6 months past due	59	59
3,770	3,770		2,483	2,483

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, other UK Health Authorities, 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.

NHS AYRSHIRE AND ARRAN

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13. TRADE AND OTHER RECEIVABLES

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

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

2014 £'000	2014 £'000		2015 £'000	2015 £'000
		Counterparties with external credit ratings		
0	0	A	0	0
0	0	BB	0	0
0	0	BBB	0	0
0	0	Counterparties with no external credit rating:	0	0
0	0	New customers	0	0
3,770	3,770	Existing customers with no defaults in the past	2,483	2,483
0	0	Existing customers with some defaults in the past	0	0
3,770	3,770	Total neither past due or impaired	2,483	2,483

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

2014 £'000	2014 £'000		2015 £'000	2015 £'000
		The carrying amount of receivables are denominated in the following currencies:		
41,890	41,894	Pounds	36,114	36,113
41,890	41,894		36,114	36,113

The non-current receivables relate to recoveries from the CNORIS scheme which will be received within 1 month of the associated settlements being made for clinical or employer liability. This could be up to 10 years from the balance sheet date.

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

The fair value of long term other receivables is £nil (2013-14: £nil)

The effective interest rate on non-current other receivables is 0% (2013-14: 0%). Pension liabilities are discounted at 1.3% (2013-14: 1.8%)

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14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Consolidated 2015 £'000	Board 2015 £'000
771	0	761	0	Government securities	388	0
10,104	0	10,341	0	Other	12,175	0
10,875	0	11,102	0	TOTAL	12,563	0
					<u>B.S.</u>	
9,822	0	10,875	0	At 1 April	11,102	0
3,040	0	2,119	0	Additions	4,880	0
(3,203)	0	(2,270)	0	Disposals	(4,148)	0
1,216	0	378	0	Revaluation surplus/(deficit) transferred to equity	729	0
10,875	0	11,102	0	At 31 March	12,563	0
0	0	0	0	Current	<u>B.S.</u> 0	0
10,875	0	11,102	0	Non-current	<u>B.S.</u> 12,563	0
10,875	0	11,102	0	At 31 March	12,563	0
0	0	0	0	The carrying value includes an impairment provision of	0	0

NHS Ayrshire and Arran is entitled to recover the full economic cost of activity within the Hub South West Scotland and has no requirement to under-write any reported trading losses of the company or its special purpose vehicles. The carrying amount value of the investment is cost less impairment as there is no active market for this equity investment in Hub South West Scotland Ltd.

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

15. CASH AND CASH EQUIVALENTS

	Note	At 01/04/14 £'000	Cash Flow £'000	At 31/03/15 £'000
Government Banking Service account balance		92	2	94
Cash at bank and in hand		23	0	23
Endowment Cash		1,143	(653)	490
Total cash and cash equivalents - balance sheet	B S	1,258	(651)	607
Overdrafts	<u>16</u>	0	0	0
Total cash - cash flow statement		1,258	(651)	607
		<u>CFS</u>		<u>CFS</u>

CASH AND CASH EQUIVALENTS - PRIOR YEAR

	Note	At 01/04/13 £'000	Cash Flow £'000	At 31/03/14 £'000
Government Banking Service account balance		93	(1)	92
Cash at bank and in hand		22	1	23
Endowment Cash		1,018	125	1,143
Total cash and cash equivalents - balance sheet	B S	1,133	125	1,258
Overdrafts	<u>16</u>	0	0	0
Total cash - cash flow statement		1,133	125	1,258
		<u>CFS</u>		<u>CFS</u>

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

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

16. TRADE AND OTHER PAYABLES

Consolidated 2013 £'000	Board 2013 £'000	Consolidated 2014 £'000	Board 2014 £'000		Note	Consolidated 2015 £'000	Board 2015 £'000
3,418	3,418	3,111	3,111	Payables due within one year			
3,418	3,418	3,111	3,111	NHSScotland			
				Boards		3,810	3,810
				Total NHSScotland Payables		3,810	3,810
2	2	1	1	NHS Non-Scottish Bodies		20	20
115	115	115	115	Amounts Payable to General Fund		117	117
17,127	17,127	15,058	15,058	FHS Practitioners		14,522	14,522
3,792	3,792	659	659	Trade Payables		4,566	4,566
20,785	20,785	19,912	19,912	Accruals		17,489	17,489
206	206	407	407	Deferred income		306	306
51	51	0	0	Payments received on account			
12	12	15	15	Net obligations under Finance Leases	22	16	16
442	442	607	607	Net obligations under PPP/PFI Contracts	23	709	709
7,022	7,022	6,900	6,900	Income tax and social security		6,801	6,801
4,221	4,221	4,753	4,753	Superannuation		4,887	4,887
782	782	839	839	Holiday Pay Accrual		273	273
0	0	0	0	VAT		2	2
306	306	357	357	EC Carbon Emissions		454	454
520	445	508	470	Other payables		439	377
58,801	58,726	53,242	53,204	Total Payables due within one year	B.S.	54,411	54,349
				Payables due after more than one year			
				NHSScotland			
13	13	16	16	Net obligations under Finance Leases due within 2 years	22	17	17
48	48	56	56	Net obligations under Finance Leases due after 2 years but within 5 years	22	60	60
271	271	232	232	Net obligations under Finance Leases due after 5 years	22	211	211
517	517	790	790	Net obligations under PPP/PFI Contracts due within 2 years	23	892	892
2,591	2,591	3,148	3,148	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	23	3,808	3,808
23,262	23,262	21,544	21,544	Net obligations under PPP/PFI Contracts due after 5 years	23	41,574	41,574
0	0	1,251	1,251	Deferred income		1,173	1,173
26,702	26,702	27,037	27,037	Total Payables due after more than one year	B.S.	47,735	47,735
85,503	85,428	80,279	80,241	TOTAL PAYABLES		102,146	102,084
				Borrowings included above comprise:			
		£'000	£'000	Finance Leases		£'000	£'000
		319	319	PFI Contracts		304	304
		26,089	26,089			46,983	46,983
		26,408	26,408			47,287	47,287
				The carrying amount and fair value of the non-current borrowings are as follows			
		2014	2014	Carrying amount		2015	2015
		£'000	£'000	Finance Leases		£'000	£'000
		304	304	PFI Contracts		288	288
		25,482	25,482			46,274	46,274
		25,786	25,786			46,562	46,562
				The carrying amount and fair value of the non-current borrowings are as follows			
		2014	2014	Fair value		2015	2015
		Fair value	Fair value	Finance Leases		Fair value	Fair value
		£'000	£'000	PFI Contracts		£'000	£'000
		304	304			288	288
		25,482	25,482			46,274	46,274
		25,786	25,786			46,562	46,562
				The carrying amount of short term payables approximates their fair value.			
		2014	2014	The carrying amount of payables are denominated in the following currencies:		2015	2015
		£'000	£'000	Pounds		£'000	£'000
		80,279	80,241			102,146	102,083

NHS AYRSHIRE AND ARRAN

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FOR THE YEAR ENDED 31 MARCH 2015

17. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2015 Total £'000
At 1 April 2014	7,389	33,431	25,264	158	66,242
Arising during the year	516	5,170		661	6,347
Utilised during the year	(590)	(2,613)		(263)	(3,466)
Unwinding of discount	326				326
Reversed unutilised	(73)	(6,940)	(2,998)	(22)	(10,033)
At 31 March 2015	7,568	29,048	22,266	534	59,416

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2015

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2015 Total £'000
Payable in one year	583	1,506	13,137	524	15,750
Payable between 2 - 5 years	6,985	27,542	9,129	10	43,666
At 31 March 2015	7,568	29,048	22,266	534	59,416

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2014 Total £'000
At 1 April 2013	7,622	21,911	17,106	140	46,779
Arising during the year	176	13,659	8,158	248	22,241
Utilised during the year	(586)	(1,142)	0	(207)	(1,935)
Unwinding of discount	369	0	0	0	369
Reversed unutilised	(192)	(997)	0	(23)	(1,212)
At 31 March 2014	7,389	33,431	25,264	158	66,242

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows - to 31 March 2014

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2014 Total £'000
Payable in one year	582	9,917		154	10,653
Payable between 2 - 5 years	6,807	23,514	25,264	4	55,589
At 31 March 2014	7,389	33,431	25,264	158	66,242

PROVISIONS - CONSOLIDATED AND BOARD (2013)

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2013 Total £'000
At 1 April 2012	7,146	12,590		127	19,863
Arising during the year	821	15,573	17,106	218	33,718
Utilised during the year	(601)	(5,272)		(158)	(6,031)
Unwinding of discount	274	0		0	274
Reversed unutilised	(18)	(920)		(47)	(985)
At 31 March 2013	7,622	21,911	17,106	140	46,779

Analysis of expected timing of discounted flows - to 31 March 2013

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	2013 Total £'000
Payable in one year	609	2,450		114	3,173
Payable between 2 - 5 years	7,013	19,461	17,106	26	43,606
At 31 March 2013	7,622	21,911	17,106	140	46,779

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury Discount Rate of 1.30% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical & Medical Legal Claims against NHS Board

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

Participation in CNORIS

The Board is required to participate in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and the above provision relates to its share of future settlements. Further details are given in Note 17(b)

Other

This relates to provisions for employer or public liability claims which are processed in the same manner as clinical and medical negligence claims described above by the Scottish NHS Central Legal Office with provisions shown gross and the amount of any expected reimbursements shown separately as debtors in the notes to the accounts. The provisions are expected to be settled within the next 2 years. Other provisions include an amount of £107k in respect of the Board's estimated liability arising from equal pay claims.

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

17b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2013 £'000	2014 £'000		Note	2015 £'000
22,051	33,589	Provision recognising individual claims against the NHS Board as at 31 March	17	29,475
(21,489)	(32,687)	Associated CNORIS receivable at 31 March	13	(28,812)
17,106	25,264	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	22,266
17,668	26,166	Net Total Provision relating to CNORIS at 31 March		22,929

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHSScotland has been made and this is reflected in third line above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

Further information on the scheme can be found at: <http://www.clo.scot.nhs.uk/our-services/cnoris.aspx>

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

18. MOVEMENT ON WORKING CAPITAL BALANCES

2014 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2015 Net Movement £'000
	INVENTORIES				
(471)	Balance Sheet	12	3,767	3,849	
<u>(471)</u>	Net Decrease/(Increase)				<u>(82)</u>
	TRADE AND OTHER RECEIVABLES				
(7,929)	Due within one year	13	18,816	8,763	
(3,793)	Due after more than one year	13	23,078	27,350	
			41,894	36,113	
<u>(11,722)</u>	Net Decrease/(Increase)				<u>5,781</u>
	TRADE AND OTHER PAYABLES				
(5,559)	Due within one year	16	53,204	54,349	
335	Due after more than one year	16	27,037	47,735	
(1,479)	Less: Property, Plant & Equipment (Capital) included in above		(569)	(1,019)	
0	Less: General Fund Creditor included in above	16	(115)	(117)	
748	Less: Lease and PFI Creditors included in above	16	(26,408)	(47,287)	
0	Less: Interest payable included in above	16	0	0	
			53,149	53,661	
<u>(5,955)</u>	Net (Decrease)/Increase				<u>512</u>
	PROVISIONS				
19,463	Balance Sheet	17	66,242	59,416	
<u>19,463</u>	Net (Decrease)/Increase				<u>(6,826)</u>
<u>1,315</u>	NET MOVEMENT (Decrease)/Increase	CFS			<u>(615)</u>

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

19. CONTINGENT LIABILITIES

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

2014 £'000	Nature	2015 £'000
8,645	Clinical and medical compensation payments	6,462
310	Employer's liability	127
24	Third party liability	26
8,979	TOTAL CONTINGENT LIABILITIES	6,615

The Board has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37, since the possibility of a transfer of economic benefits in settlement is too remote.

Guarantees
None

Indemnities

The Board has provided an indemnity to Ayrshire Medical Support Ltd to the effect that it will reimburse the company for any additional VAT determined to be chargeable by HMRC on a specified sale of property by the company to the Board.

Letter of comfort
None

CONTINGENT ASSETS

8,000	Clinical and medical compensation payments	2,365
125	Employer's liability	0
8,125		2,365

20. EVENTS AFTER THE END OF THE REPORTING YEAR

There are no events after the end of the reporting period which would have a material effect on the accounts.

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

21. COMMITMENTS

2015

2014 £'000	Capital Commitments The Board has the following Capital Commitments which have not been included for in the accounts	Property, plant and equipment: £'000
	Contracted	
6,508	Building for Better Care	12,121
190	North Ayrshire Community Hospital Adviser Fees	87
<u>6,698</u>	Total	<u>12,208</u>
	Authorised but not Contracted	
278	Board Infrastructure	0
750	Crosshouse Hospital Value Adding	750
0	Capital to Save on Revenue - Energy Schemes	540
0	Biggart management of Road Risk	130
0	ACH Fifth Steriliser	104
2,159	UHC/UHA Endoscopy Regulations	0
2,174	UHC Car Parking	60
157	Arran War Memorial Rehab	0
30	Other Small Miscellaneous schemes	0
<u>5,548</u>	Total	<u>1,584</u>

NHS Ayrshire and Arran

Notes to the Accounts

For the year ended 31 March 2015

22. Commitments under Leases

2014	Operating Leases	2015
£'000	Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.	£'000
	Obligations under operating leases comprise:	
	Land	
0	Not later than one year	10
0	Later than one year, not later than 2 years	10
0	Later than two year, not later than five years	29
10	Later than five years	84
	Buildings	
0	Not later than one year	46
0	Later than one year, not later than 2 years	35
13	Later than two year, not later than five years	41
43	Later than five years	0
	Other	
229	Not later than one year	205
	Amounts charged to Operating Costs in the year were:	
229	Hire of equipment (including vehicles)	205
65	Other operating leases	70
<u>294</u>	Total	<u>275</u>
	Finance Leases	
	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.	
	Obligations under Finance leases comprise:	
	Buildings	
33	Rentals due within one year	16
33	Rentals due between one and two years (inclusive)	16
99	Rentals due between two and five years (inclusive)	16
289	Rentals due after five years	16
454		<u>256</u>
(135)	Less interest element	421
<u>319</u>		<u>(117)</u>
		<u>304</u>
	This total net obligation under finance leases is analysed in Note 16 (Payables)	
	Aggregate Rentals Receivable in the year	
<u>219</u>	Total of finance & operating leases	<u>222</u>

NHS Ayrshire and Arran

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

23. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

The Board has entered into the following PFI contracts-

East Ayrshire Community Hospital is situated in the town of Cumnock. The facility provides inpatient beds, Elderly Mental Ill, and GP Acute; there are day facilities for Frail Elderly and Elderly Mental Ill and Outpatient Clinics (including AHP's). The 25 year contract commenced in August 2000 and will end in August 2025. At the end of the 25 year contract period, negotiations will be undertaken to determine options available.

Ayrshire Maternity Unit - is adjoined to Crosshouse Hospital in Kilmarnock. The facility provides Area Midwifery services for in-patients, day patients, and out-patients. The 30 year contract commenced in July 2006 and will be completed in July 2036. At the end of this period, the building is available for transfer to the NHS at no additional cost.

North Ayrshire Community Hospital - Year 1 recognition of Non-Profit Distributing (NPD) element of Work In Progress. Mental Health.Frail Elderly In-patient Facility due to be handed over in March 2016.

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

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

2013 £'000	2014 £'000	Gross Minimum Lease Payments	EACH £'000	AMU £'000	NACH £'000	2015 Total £'000
3,655	3,852	Rentals due within 1 year	1,826	1,816	0	3,642
3,510	3,697	Due within 1 to 2 years	1,855	1,890	0	3,745
11,223	11,293	Due within 2 to 5 years	5,795	5,595	0	11,390
44,190	39,670	Due after 5 years	7,455	31,235	21,380	60,070
<u>62,578</u>	<u>58,512</u>	Total	<u>16,931</u>	<u>40,536</u>	<u>21,380</u>	<u>78,847</u>

2013 £'000	2014 £'000	Less Interest Element	EACH £'000	AMU £'000	NACH £'000	2015 Total £'000
(3,213)	(3,245)	Rentals due within 1 year	(1,463)	(1,470)	0	(2,933)
(2,993)	(2,907)	Due within 1 to 2 years	(1,383)	(1,470)	0	(2,853)
(8,632)	(8,145)	Due within 2 to 5 years	(3,408)	(4,174)	0	(7,582)
(20,928)	(18,126)	Due after 5 years	(1,656)	(16,840)	0	(18,496)
<u>(35,766)</u>	<u>(32,423)</u>	Total	<u>(7,910)</u>	<u>(23,954)</u>	<u>0</u>	<u>(31,864)</u>

2013 £'000	2014 £'000	Present value of minimum lease payments	EACH £'000	AMU £'000	NACH £'000	2015 Total £'000
442	607	Rentals due within 1 year	363	346	0	709
517	790	Due within 1 to 2 years	472	420	0	892
2,591	3,148	Due within 2 to 5 years	2,387	1,421	0	3,808
23,262	21,544	Due after 5 years	5,799	14,395	21,380	41,574
<u>26,812</u>	<u>26,089</u>	Total	<u>9,021</u>	<u>16,582</u>	<u>21,380</u>	<u>46,983</u>

2013 Total £'000	2014 Total £'000		2015 Total £'000
1,687	1,724	Service charges	1,779
3,210	3,404	Interest charges	3,495
<u>4,897</u>	<u>5,128</u>	Total	<u>5,274</u>

2013 £'000	2014 £'000		2015 £'000
189	126	Contingent rents (included in Other charges)	146

NHS AYRSHIRE AND ARRAN
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24. PENSION COSTS

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

(b) The Board has no liability for other employers obligations to the multi-employer scheme.

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

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

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

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

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

(v) The Board's level of contribution was 5.3 % based on the proportion of employer contributions paid in 2013-14.

	2015	2014
	£'000	£'000
Pension cost charge for the year	35,221	34,038
Additional Costs arising from early retirement	769	603
Provisions/Liabilities/Pre-payments included in the Balance Sheet	1,934	1,954

NHS AYRSHIRE AND ARRAN
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25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Prior year adjustments which have been recognised in these Accounts are:

		Dr. £000	Cr. £000
Adjustment 1	Retrospective Restatement Dr Compensation Payments (Note 7) Cr Provisions (Note 17)	8,158	8,158
<p>To effect retrospective restatement in these accounts arising from the changes to the accounting treatment for CNORIS as set out at Notes 1 and 17(b)</p>			
	Opening balance adjustment Dr General Fund Cr Provisions (Note 17)	17,106	17,106

The opening general fund balance for 2013/14 has been reduced by £17,106k. This amount represents the Board's share of the total liability of NHSScotland as at 31st March 2013 as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. This amount is also recognised at Note 17.

**NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015**

26a. RESTATED SOCNE

	Previous Accounts £'000	Adjustment 1 £'000	These Accounts £'000
Clinical Services Costs			
Hospital and Community	580,901		580,901
Less: Hospital and Community Income	24,714		24,714
	556,187	0	556,187
Family Health Services	176,132		176,132
Less: Family Health Services Income	5,243		5,243
	170,889	0	170,889
Total Clinical Services Costs	727,076	0	727,076
Administration Costs	2,958		2,958
Less: Administration Income	14		14
	2,944	0	2,944
Other Non Clinical Services	12,609	8,158	20,767
Less: Other Operating Income	15,780		15,780
	(3,171)	8,158	4,987
Net Operating Costs	726,849	8,158	735,007

**NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015**

26b. RESTATED BALANCE SHEET

	Previous Accounts £'000	Adjustment 1 £'000	These Accounts £'000
Non-current assets			
Property, plant and equipment	315,735		315,735
Intangible assets	0		0
Financial assets:			
Available for sale financial assets	0		0
Trade and other receivables	23,078		23,078
	<u>338,813</u>	<u>0</u>	<u>338,813</u>
CURRENT ASSETS			
Inventories	3,767		3,767
Financial assets:			
Trade and other receivables	18,816		18,816
Cash and cash equivalents	115		115
Available for sale financial assets	0		0
Assets classified as held for sale	3,870		3,870
	<u>26,568</u>	<u>0</u>	<u>26,568</u>
TOTAL ASSETS	<u>365,381</u>	<u>0</u>	<u>365,381</u>
CURRENT LIABILITIES			
Provisions	(10,653)		(10,653)
Financial liabilities:			
Trade and other payables	(53,204)		(53,204)
TOTAL CURRENT LIABILITIES	<u>(63,857)</u>	<u>0</u>	<u>(63,857)</u>
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	<u>301,524</u>	<u>0</u>	<u>301,524</u>
Non-current liabilities			
Provisions	(30,325)	(25,264)	(55,589)
Financial liabilities:			
Trade and other payables	(27,037)		(27,037)
Total non-current liabilities	<u>(57,362)</u>	<u>(25,264)</u>	<u>(82,626)</u>
Assets less liabilities	<u>244,162</u>	<u>(25,264)</u>	<u>218,898</u>
TAXPAYERS' EQUITY			
General Fund	176,514	(25,264)	151,250
Revaluation Reserve	67,648		67,648
Total taxpayers' equity	<u>244,162</u>	<u>(25,264)</u>	<u>218,898</u>

**NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015**

26c. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 1 £'000	These Accounts £'000
Cash flows from operating activities			
Net operating cost	(726,849)	(8,158)	(735,007)
Adjustments for non-cash transactions	21,513		21,513
Add back: interest payable recognised in net operating cost	3,773		3,773
Deduct: interest receivable recognised in net operating cost	(320)		(320)
(Increase) / decrease in trade and other receivables	(11,722)		(11,722)
(Increase) / decrease in inventories	(471)		(471)
Increase / (decrease) in trade and other payables	(5,955)		(5,955)
Increase / (decrease) in provisions	11,305	8,158	19,463
Net cash outflow from operating activities	(708,726)	0	(708,726)
Cash flows from investing activities			
Purchase of property, plant and equipment	(8,141)		(8,141)
Investment additions	(2,119)		(2,119)
Proceeds of disposal of property, plant and equipment	355		355
receipts from the sale of investments	2,270		2,270
Interest received	320		320
Net cash outflow from investing activities	(7,315)	0	(7,315)
Cash flows from financing activities			
Funding	720,687		720,687
Movement in general fund working capital	0		0
Cash drawn down	720,687	0	720,687
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(748)		(748)
Interest paid	(369)		(369)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,404)		(3,404)
Net Financing	716,166	0	716,166
Net Increase / (decrease) in cash and cash equivalents in the period	125	0	125
Cash and cash equivalents at the beginning of the period	1,133		1,133
Cash and cash equivalents at the end of the period	1,258	0	1,258
Reconciliation of net cash flow to movement in net debt/cash			
Increase/(decrease) in cash in year	125	0	125
Net debt/cash at 1 April	1,133		1,133
Net debt/cash at 31 March	1,258	0	1,258

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

27. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

CONSOLIDATED

	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
At 31 March 2015				
Assets per balance sheet				
Investments	14		12,563	12,563
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	4,878		4,878
Cash and cash equivalents	15	607		607
		5,485	12,563	18,048

BOARD

	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
At 31 March 2015				
Assets per balance sheet				
Investments	14		0	0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	4,877		4,877
Cash and cash equivalents	15	117		117
		4,994	0	4,994

CONSOLIDATED (Prior Year)

	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
At 31 March 2014				
Assets per balance sheet				
Investments	14		11,102	11,102
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	3,988		3,988
Cash and cash equivalents	15	1,258		1,258
		5,246	11,102	16,348

BOARD (Prior Year)

	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
At 31 March 2014				
Assets per balance sheet				
Investments	14		0	0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	3,992		3,992
Cash and cash equivalents	15	115		115
		4,107	0	4,107

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

27. FINANCIAL INSTRUMENTS (cont.)

Financial Liabilities

CONSOLIDATED

At 31 March 2015	Note	Other financial liabilities £'000
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	46,983
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>	37,880
		<hr/>
		85,167

BOARD

At 31 March 2015	Note	Other financial liabilities £'000
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	304
PFI Liabilities	<u>16</u>	46,983
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	<u>16</u>	37,818
		<hr/>
		85,105

CONSOLIDATED (Prior Year)

At 31 March 2014	Note	Other financial liabilities £'000
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	319
PFI Liabilities	<u>16</u>	26,089
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	<u>16</u>	37,449
		<hr/>
		63,857

BOARD (Prior Year)

At 31 March 2014	Note	Other financial liabilities £'000
Liabilities per balance sheet		
Finance lease liabilities	<u>16</u>	319
PFI Liabilities	<u>16</u>	26,089
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	<u>16</u>	37,411
		<hr/>
		63,819

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

27. FINANCIAL INSTRUMENTS, cont.

b 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
At 31 March 2015	£'000	£'000	£'000	£'000
PFI Liabilities	3,642	3,745	11,390	60,070
Finance lease liabilities	33	33	99	256
Trade and other payables excluding statutory liabilities	37,880			
Total	41,555	3,778	11,489	60,326

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2014	£'000	£'000	£'000	£'000
PFI Liabilities	3,852	3,697	11,293	39,670
Finance lease liabilities	33	33	99	289
Trade and other payables excluding statutory liabilities	37,449	0	0	0
Total	41,334	3,730	11,392	39,959

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 currency risk.

iii) Price risk

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

c FAIR VALUE ESTIMATION

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

28. DERIVATIVE FINANCIAL INSTRUMENTS (Consolidated and Board)

There are no derivative financial instruments in 2014/15 or prior years.

29. RELATED PARTY TRANSACTIONS

Ayrshire and Arran Endowment Funds are managed by Trustees who are also Directors of the Board (as notified in the remuneration report) and is therefor a related party. During the year the Board received payments from Endowments of £708k and made payments of £233k with a balance of £16k due to the Board outstanding at year end. Additionally £324k was received in the form of Donated assets and these are shown as income in Note 8 and additions in note 11(b).

NHS Ayrshire and Arran is a sponsored body of the Scottish Government Health and Social Care Directorate which is regarded as a related party.

30. SEGMENT INFORMATION

Segmental information as required under IFRS has been reported for each strategic objective

	Acute	Health & Social Care Partnerships	Corporate	2015 £'000
Note	£'000	£'000	£'000	
Net operating cost	297,397	340,241	101,592	739,230

SEGMENT INFORMATION - PRIOR YEAR

Segmental information as required under IFRS has been reported for each strategic objective

	Acute	Health & Social Care Partnerships	Corporate	2014 £'000
Note	£'000	£'000	£'000	
Net operating cost	282,873	329,679	122,455	735,007

31. THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	2014 £'000	Gross Inflows £'000	Gross Outflows £'000	2015 £'000
Monetary amounts such as bank balances and monies on deposit	772	422	(462)	732

NHS AYRSHIRE AND ARRAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

32. EXIT PACKAGES

		2015		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
<£10,000	0	0	0	
£10,000 - £25,000	0	0	0	
£25,000 - £50,000	0	1	1	
Total number exit packages by type	0	1	1	
Total resource cost (£'000)		30	30	

EXIT PACKAGES - PRIOR YEAR

		2014		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
<£10,000	0	0	0	
£10,000 - £25,000	0	0	0	
£25,000 - £50,000	0	2	2	
Total number exit packages by type	0	2	2	
Total resource cost (£'000)	0	68	68	

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

33a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group 2014 £'000		Board 2015 £'000	Endowments 2015 £'000	Intra Group adj. 2015 £'000	Consolidated 2015 £'000
	Clinical Services Costs				
580,901	Hospital and Community	591,991			591,991
24,714	Less: Hospital and Community Income	26,060			26,060
<u>556,187</u>		<u>565,931</u>	0	0	<u>565,931</u>
176,132	Family Health	181,552			181,552
5,243	Less: Family Health Income	5,632			5,632
<u>170,889</u>		<u>175,920</u>	0	0	<u>175,920</u>
727,076	Total Clinical Services Costs	741,851	0	0	741,851
2,958	Administration Costs	2,790			2,790
14	Less: Administration Income	25			25
<u>2,944</u>		<u>2,765</u>	0	0	<u>2,765</u>
20,767	Other Non Clinical Services	9,852	1,604	(941)	10,515
15,780	Less: Other Operating Income	15,178	1,664	(941)	15,901
<u>4,987</u>		<u>(5,326)</u>	<u>(60)</u>	<u>0</u>	<u>(5,386)</u>
735,007	Net Operating Costs	739,290	(60)	0	739,230

The Intra Group adjustments relate to transactions between the Endowment Funds and the Board which are eliminated on consolidation. These are the payments received by the Board from Endowments of £708k and the payments of £233k from the Board to Endowments.

NHS AYRSHIRE AND ARRAN

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

33b. CONSOLIDATED GROUP BALANCE SHEET

Group 2014 £'000		Note	Board 2015 £'000	Endowment 2015 £'000	Intra Group adjustment 2015 £'000	Group 2015 £'000
	Non-current assets:					
315,735	Property, plant and equipment	11	348,429			348,429
0	Intangible assets	10	0			0
	Financial assets:					
11,102	Available for sale financial assets	14	0	12,563		12,563
23,078	Trade and other receivables	13	27,350			27,350
<u>349,915</u>	Total non-current assets		<u>375,779</u>	<u>12,563</u>	<u>0</u>	<u>388,342</u>
	Current Assets:					
3,767	Inventories	12	3,849			3,849
	Financial assets:					
18,812	Trade and other receivables	13	8,763	31	(30)	8,764
1,258	Cash and cash equivalents	15	117	490		607
0	Available for sale financial assets	14	0			0
3,870	Assets classified as held for sale	11c	2,050			2,050
<u>27,707</u>	Total current assets		<u>14,779</u>	<u>521</u>	<u>(30)</u>	<u>15,270</u>
<u>377,622</u>	Total assets		<u>390,558</u>	<u>13,084</u>	<u>(30)</u>	<u>403,612</u>
	Current liabilities					
(10,653)	Provisions	17	(15,750)			(15,750)
	Financial liabilities:					
(53,242)	Trade and other payables	16	(54,349)	(92)	30	(54,411)
<u>(63,895)</u>	Total current liabilities		<u>(70,099)</u>	<u>(92)</u>	<u>30</u>	<u>(70,161)</u>
<u>313,727</u>	Non-current assets plus/less net current assets/liabilities		<u>320,459</u>	<u>12,992</u>	<u>0</u>	<u>333,451</u>
	Non-current liabilities					
(55,589)	Provisions	17	(43,666)			(43,666)
	Financial liabilities:					
(27,037)	Trade and other payables	16	(47,735)			(47,735)
<u>(82,626)</u>	Total non-current liabilities		<u>(91,401)</u>	<u>0</u>	<u>0</u>	<u>(91,401)</u>
<u>231,101</u>	Assets less liabilities		<u>229,058</u>	<u>12,992</u>	<u>0</u>	<u>242,050</u>
	Taxpayers' Equity					
151,250	General fund	SOCTE	153,445			153,445
67,648	Revaluation reserve	SOCTE	75,613			75,613
12,203	Funds Held on Trust	SOCTE	0	12,992		12,992
<u>231,101</u>	Total taxpayers' equity		<u>229,058</u>	<u>12,992</u>	<u>0</u>	<u>242,050</u>

NHS Ayrshire and Arran
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

33c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board £'000	Endowment £'000	Group £'000		Board £'000	Endowment £'000	Group £'000
(735,024)	17	(735,007)	Cash flows from operating activities			
21,513	0	21,513	Net operating cost	(739,290)	60	(739,230)
3,773	0	3,773	Adjustments for non-cash transactions	16,333		16,333
0	(320)	(320)	Add back: interest payable recognised in net operating cost	3,841		3,841
(11,717)	(5)	(11,722)	Deduct: interest receivable recognised in net operating cost	0	(397)	(397)
(471)	0	(471)	(Increase) / decrease in trade and other receivables	5,781	9	5,790
(5,917)	(38)	(5,955)	(Increase) / decrease in inventories	(82)		(82)
19,463	0	19,463	Increase / (decrease) in trade and other payables	512	9	521
			Increase / (decrease) in provisions	(6,826)		(6,826)
(708,380)	(346)	(708,726)	Net cash outflow from operating activities	(719,731)	(319)	(720,050)
(8,141)	0	(8,141)	Cash flows from investing activities			
0	(2,119)	(2,119)	Purchase of property, plant and equipment	(36,191)		(36,191)
355	0	355	Investment Additions	0	(4,880)	(4,880)
0	2,270	2,270	Proceeds of disposal of property, plant and equipment	1,611		1,611
0	320	320	Receipts from sale of investments	0	4,149	4,149
			Interest and dividends received	0	397	397
(7,786)	471	(7,315)	Net cash outflow from investing activities	(34,580)	(334)	(34,914)
720,687	0	720,687	Cash flows from financing activities			
0	0	0	Funding	737,273		737,273
			Movement in general fund working capital	2		2
720,687	0	720,687	Cash drawn down	737,275	0	737,275
(748)	0	(748)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	20,879		20,879
(369)	0	(369)	Interest paid	(326)		(326)
(3,404)	0	(3,404)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(3,515)		(3,515)
716,166	0	716,166	Net Financing	754,313	0	754,313
0	125	125	Net Increase / (decrease) in cash and cash equivalents in the period	2	(653)	(651)
115	1,018	1,133	Cash and cash equivalents at the beginning of the period	115	1,143	1,258
115	1,143	1,258	Cash and cash equivalents at the end of the period	117	490	607
0	125	125	Reconciliation of net cash flow to movement in net debt/cash			
115	1,018	1,133	Increase/(decrease) in cash in year	2	(653)	(651)
			Net debt/cash at 1 April	115	1,143	1,258
115	1,143	1,258	Net debt/cash at 31 March	117	490	607

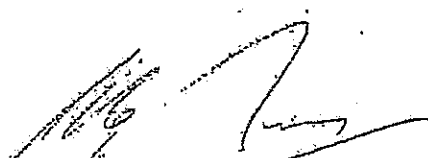
Direction by the Scottish Ministers



Ayrshire and Arran Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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



Signed by the authority of the Scottish Ministers

Dated 10/2/2006

