



BORDERS HEALTH BOARD

**ANNUAL REPORT AND
ACCOUNTS**

2017/18

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

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PERFORMANCE REPORT

a) OVERVIEW

1. Statement from the Chief Executive

It has been another challenging year but one of significant achievement for NHS Borders, our services and teams, and for individuals. A great deal has been achieved whilst we have continued to provide safe, effective and person-centred care alongside managing the immediate financial pressures. I would therefore like to acknowledge the hard work of all the Board's staff and thank them for their efforts.

We have also welcomed a number of new appointments to our Board this year. On 1st May 2017, Mrs C Pearce took up her new role as Director of Nursing, Midwifery and Acute Services; Councillor D Parker joined the board as a non-executive director on 14th June 2017, along with Mr T Taylor and Mr M Dickson, who joined on 1st August 2017. We also appointed Dr T Patterson, Joint Director for Public Health to the board on 2nd October 2017. Dr Patterson had previously held this post on an interim basis.

A key challenge in 2017/18 directly linked to our delivery of healthcare was highlighted by the critical report issued by Healthcare Improvement Scotland (HIS) following an unannounced inspection to review nutritional care of patients. The findings highlighted the need for improvement in relation to documentation and areas where aspects of food, fluid and nutrition care standards were not being met. In response to this, we have launched our "Back to Basics" Improvement Programme under the leadership of Mrs C Pearce (Director for Nursing, Midwifery and Acute Services) and are working collaboratively with staff and HIS to improve the quality of care we provide to our patients. It was pleasing to note that the HIS report detailed the inspectors observing our staff treating patients with compassion, dignity and respect and that patients were comfortable and well cared for. Patient safety is our number one priority and we are committed to providing the highest standards of care to our patients and we are using the learning from the HIS reports to ensure this for every patient, every time.

During 2017/18 we refreshed our Clinical Strategy and as part of this undertook an engagement exercise with Borders residents and our own staff. We have revised our leadership structure to focus on transformational change supporting the aims outlined within the refreshed Clinical Strategy in order to genuinely transform models of service delivery, focused on prevention and early intervention, supported self-care and delivery of care in community settings. NHS Borders have also fully embraced the rollout of Care Opinion over the last year, a system which allows patients, families and carers to share stories of their experiences of health and social care services enabling us to capture positive feedback and also areas for improvement.

PERFORMANCE REPORT

a) OVERVIEW (continued)

1. Statement from the Chief Executive

The Local Delivery Plan Standards helps us measure the quality of the services we provide, and we continue to perform well in a number of areas. Key areas of achievement for 2017/18 include:

- Strong performance on the delivery of the national cancer waiting times targets.
- Reduction in Emergency Occupied Bed Days for the over 75s.
- Performance well above our target for Smoking Cessation.
- Pre-operative Stays significantly below target.

In my 2016/17 statement, I reported that we had achieved a consistent attainment of over 95% against our Emergency Access Standard and it is disappointing that we have experienced variable performance in this area with average performance over the year being 92.8%. This can largely be attributed to the increase in delayed discharges impacting on patient flow. We have been able to reduce the number of delayed occupied bed days due to the opening of a discharge to assess facility in December 2017 and are continuing to work collaboratively with colleagues in health and social care to further reduce delays.

During 2017/18 the Board has used capital resource to complete the health centre projects at Eyemouth and the Knoll in Duns; these projects have seen refurbished and extended facilities at both sites. In addition the new health centre in Roxburgh Street in Galashiels was finalised early in the financial year. We have also carried out some more minor capital works to areas of the Borders General and Community Hospitals, to improve the facilities available for patients and staff. We begun work on a project to extend and refurbish the Borders Macmillan Cancer Centre which will be completed during 2018. This exciting project utilises our Charitable Endowment Funds and is being delivered in partnership with Macmillan Cancer Support.

Another significant area of investment has been our Information Management and Technology 'Road to Digital' Programme. This multi-year programme will ensure our technical infrastructure, clinical and clinical support service systems and applications are updated, refreshed and fit for purpose. Working with the Scottish Government and colleague boards we have approved the implementation of a secure and modern technology platform. This will go some way to improve our security and resilience; however we also need appropriately trained staff within our workforce to support the new technology and changing information governance standards to better protect NHS Borders from threats.

The Board's capital plan also saw investment to areas of medical and radiology equipment and across the organisation's estate.

PERFORMANCE REPORT

a) OVERVIEW (continued)

1. Statement from the Chief Executive

In summary, progress has been made throughout the year in a number of areas with NHS Borders continuing to deliver high quality healthcare, however it is acknowledged that sustained effort will be required to address challenges and ensure improvement across areas of performance.

Full details of the above and the many other key Board achievements during 2017/18 will be published in the Board Annual Report which will be available during 2018/19.

2. Principal activities and review of the year

The NHS Board was established in 1972 under the National Health Service (Scotland) Act 1972. The National Health Service (Scotland) Act 1978, other law, and Government directions determine the Board's constitution, duties and functions. Health Boards carry out functions on behalf of Scottish Ministers, and are required to follow any regulations or directions that may be made. NHS Borders is responsible for commissioning health care services for the residents of the Scottish Borders, a total population of 118,484 as recorded on the GP Practice List as at 31st March 2018 (2016/17 - 117,685).

The NHS Board is the governing body responsible and accountable for improving the health of the local population and delivering the healthcare they require. The overall purpose of the NHS Board is to govern an efficient and effective local NHS and to provide strategic leadership and direction for the system as a whole.

The NHS Borders Code of Corporate Governance details the following as the overall purpose, role and functions of the Board.

The overall purpose of Borders NHS Board is to:

- Review and ensure the efficient, effective and accountable governance of NHS Borders.
- Provide strategic leadership and direction.
- Focus on agreed outcomes.
- Work in partnership with the Scottish Borders Health and Social Care Integration Joint Board and Scottish Borders Council to deliver the Strategic Commissioning Plan and associated outcomes.

The Role of the Board is to:

- Provide and improve and protect the health of local people.
- Provide and improve health services for local people.
- Focus clearly on health outcomes and people's experience of NHS Borders.
- Work in conjunction with the Scottish Borders Health and Social Care Integration Joint Board to improve the wellbeing of people who use health and social care services.
- Improve community planning within the Scottish Borders through membership of the Community Planning Partnership.
- Be accountable for the performance of NHS Borders as a whole.

PERFORMANCE REPORT**a) OVERVIEW (continued)**

- Involve the public in the design and delivery of healthcare services.

2. Principal activities and review of the year**The Functions of the Board are to:**

- Set the strategic direction of NHS Borders within the overall policies and priorities of the Scottish Parliament and the Scottish Government, define its annual and longer-term objectives and agree plans to achieve them.
- Delegate functions and related resources to the Scottish Borders Health and Social Care Integration Joint Board in line with legislation (Joint Working Act 2014).
- Deliver services as commissioned by the Scottish Borders Health and Social Care Integration Joint Board in line with the agreed Health and Social Care Implementation Strategic Commissioning Plan.
- Approve resource allocation to address local priorities.
- Ensure effective financial stewardship through value for money, financial control and financial planning and strategy.
- Oversee implementation and delivery of the Local Delivery Plan.
- Manage the performance of NHS Borders, including risk management, by monitoring performance against objectives and ensuring corrective action is taken when necessary.
- Appoint, appraise and remunerate senior executives. Be responsible for the recruitment, and authorise the appointment of, consultants as required under the National Health Service (Appointment of Consultants) (Scotland) Regulation 2009.
- Approve governance arrangements for NHS Borders which the Board will discharge including through the Standing Committees of Audit, Clinical, Staff and Public Governance.

2017/18 Business Activities

NHS Borders has continued work to progress its Clinical Strategy which was presented to the board in June 2017. The refreshed Clinical Strategy sets out the future direction of travel for clinical services within the Borders within the context of health and social care integration, the National Clinical Strategy, the principles of realistic medicine, the move to regional collaborative working and continued financial challenges facing the wider public sector.

The strategic aims are:

- To deliver within Scottish Borders the national vision for health and social care in Scotland, as set out in the Scottish Health and Social Care Delivery Plan (December 2016).
- To provide clarity for staff, the public and partners on the direction and key priorities for staff in NHS Borders, focusing on the delivery of safe and sustainable services and ensuring the best possible patient experience and health outcomes.

PERFORMANCE REPORT

a) OVERVIEW (continued)

2017/18 Business Activities

- To have a clear response to how we will maximise opportunities and adequately manage current and future predicted challenges facing the NHS (and other partner organisations), such as increasing population needs, advances in technology, workforce and financial challenges.
- To support future decision making and guide how we best use our limited resources.
- To set out how collaborative working with partners will be supported to meet the needs of the East of Scotland population and ensure sustainability of health and social care services.

The key principles outlined within the refreshed strategy are that:

- Services will be safe, effective and high quality.
- Services will be person-centred and seamless.
- Health Improvement and prevention will be as important as treatment of illness.
- Services will be delivered as close to home as possible.
- Admission to hospital will only happen when necessary and will be brief and smooth.
- Services will be delivered efficiently, within available means.
- We are committed to 'working in partnership' with staff, communities and other organisations to deliver the best outcomes for the people we serve.

Following the development and publication of the refreshed Clinical Strategy an engagement exercise was undertaken with public, staff and partners. NHS Borders received 109 responses as part of the engagement from a wide range of stakeholders including members of the public, members of staff and the third sector. The engagement has provided valuable input, ideas and suggestions and also paved the way for improved partnership working and new collaborations. NHS Borders will continue this important conversation with our stakeholders as we implement our strategy.

NHS Borders Workforce Plan for 2016-19 was refreshed in 2017 with statistics and actions to progress the current workforce priorities which include:

- An ageing workforce especially in some key clinical areas e.g. Nursing & Midwifery (20% of our staff are over 55 years old).
- Recruitment challenges especially with Registered Nurses (vacancy rates of 16 wte and an attrition rate of 2 wte a month, 1.35% of total Nursing wte).
- Expected impact of Brexit – particularly for Medical and Dental staff.
- Unknown impact of safe staffing legislation may lead to some services becoming unsustainable.
- Recruitment and Retention strategy for Medical Staff.

PERFORMANCE REPORT

a) OVERVIEW (continued)

2017/18 Business Activities

The workforce plan will be published in June 2018. A Workforce Planning Group has been established to progress, support and monitor actions within the plan.

Our workforce is our most valuable asset, our staff are central to the delivery of person-centred, safe and sustainable healthcare. NHS Borders is committed to working to a common set of values to guide the work we do, the decisions we take and the way we treat each other. These are underpinned by the corporate values which are:

- Care and Compassion.
- Quality and Teamwork.
- Openness, Honesty and Responsibility.
- Dignity and Respect.

By promoting excellence in organisational behaviour we believe we can improve patient experience and the experience of staff with better workforce planning outcomes.

In July 2017, NHS Borders established a change programme to support and deliver transformation of services within NHS Borders in order to ensure that they are safe, sustainable, and give the best possible patient experiences and health outcomes. The programme is driven by data and evidence, to ensure return on investment and delivery of the strategic aims outlined within the refreshed Clinical Strategy. The key themes for work currently underway are outlined below:

- Modernising Outpatients.
- Admission Avoidance.
- Removing Delays.
- Productivity and Efficiency.

In October 2017, NHS Borders launched the “Back to Basics” improvement programme under the leadership of the Director of Nursing and Midwifery to support the delivery of care. The aim is to refocus clinical teams to deliver excellence in care for every patient, every time. The programme is being carried out in collaboration with frontline staff (nurses, clinical support workers, consultants, doctors and the range of allied health professionals) and is being supported by Health Improvement Scotland and National Education Scotland. The drivers for improvement have come from findings of inspections, key themes evident in complaints, audit results and significant adverse event reviews. An action plan has been developed for each of the work streams within the Back to Basics Programme (falls, food, fluid and nutrition, tissue viability, deteriorating patient and communications). Quality improvement methodology is being used to diagnose, improve, and scale up changes in order to embed these and improve patient safety.

PERFORMANCE REPORT**a) OVERVIEW (continued)****2017/18 Business Activities**

The Borders Health and Social Care Partnership's Strategic Plan for 2016-2019 is currently being reviewed, but it is not anticipated that this will lead to significant changes to the overall strategic direction. NHS Borders have agreed with the Scottish Government Ministerial Steering Group (MSG) the target trajectories for achievement by March 2019. These cover areas relating to the Borders' Strategic Plan Objective on reducing avoidable admissions, such as reducing emergency admissions, emergency occupied bed days, delayed discharges and shortening lengths of stay for patients in acute settings. The MSG trajectories will be a cross-referenced against the Strategic Plan Objectives in the year ahead.

NHS Borders is continuing to face significant challenges in relation to demand linked to demographics of the region and specifically the level of delayed discharges across the health system; with 4.4% of our occupied bed days in 2017/18 being delayed. This represents a 37.4% increase in delayed occupied bed days from 2015/16 and an increase of 23% in the number of cases at census point in March 2017 compared to March 2018. This continues to impact on patient flow within the Borders General Hospital and our four community hospitals. A piece of work has been completed to identify the reasons for these delays and establish new models of care. As a result, a discharge to assess facility was opened at the start of December 2017 (Craw Wood) to provide up to two weeks assessment for patients in a homely environment following their discharge from hospital. The facility takes a reablement approach, where the strengths of each adult are built upon to regain and retain as much independence as possible, with a view to reducing dependency levels, thus reducing the total number of home care hours required once discharged home.

NHS Borders has also continued to work in partnership throughout 2017/18 with NHS Fife and NHS Lothian to develop an East of Scotland Regional Plan. This plan will contribute to the longer term delivery of national performance indicators and support the transformation focus of the organisation.

In March 2018, the organisation completed its third iMatter survey. This was also rolled out to staff within health and social care partnership this year. The findings for individual teams have recently been issued to Line Managers and staff and will be used to help understand and improve staff experience within teams, in order to celebrate success in areas where they perform well and also identify areas to focus on for improvement by creating team action plans and story boards. This work is aligned to the corporate values in relation to Dignity and Respect, Care and Compassion as well as Quality and Teamwork.

PERFORMANCE REPORT**a) OVERVIEW (continued)****2017/18 Business Activities**

During the last year, NHS Borders has also undertaken a review of the effectiveness of partnership working. This highlighted the need to refresh partnership arrangements to ensure there is a clear understanding on management and staff sides around the expectations of partnership working, as well as provide clarity and understanding of roles played by line managers, HR specialists, trade union representatives and full time officials; and that this needs communicated widely across the organisation. Specific actions have been agreed to take these recommendations forward this coming year.

NHS Borders has taken forward its responsibilities to the Social agenda during the year, including Public Involvement, Human Rights and Anti Bribery and Corruption and details of these and other Social Matters have been incorporated within this report.

Another important area of focus this year has been the implementation of Care Opinion, which is an online patient feedback platform. The main objective for the implementation was to make it easier for patients, families and carers to give us their feedback as this is vital for our continued development and enables us to specifically address areas where we could do better and allow us to enter into a meaningful dialogue with our service users. Care Opinion is now one of the tools we use to promote excellence in care for every patient, every time across our organisation. This has been embraced by staff as we currently have 132 responders, with almost every service being represented by at least one responder. NHS Borders performance on Care Opinion continues to be above the national average of 64% with 82% of all the stories shared on NHS Borders' Care Opinion being positive.

PERFORMANCE REPORT

a) OVERVIEW (continued)

3. Risk and Uncertainty

The Board's Local Delivery Plan summarises the key risks facing NHS Borders in the delivery of services together with the measures in place to mitigate those risks. The key challenge for the Board is to manage these risks in a way that ensures the continued delivery of quality clinical services, a high standard of operational performance whilst achieving our financial targets.

Although financial targets were achieved in 2017/18 this was a result of a number of non recurring measures to address the operational pressures and efficiency shortfall the Board encountered during the financial year. There were a number of operational pressures, particularly linked to the patient flow and increasing number of delayed discharges. This resulted in the need to open additional beds at significant cost. Due to workforce pressures the Board incurred a significant level of resources on agency nurses and agency locum medical staff cost to ensure that services continued to be delivered. UNPAC (unplanned patient out of area activity) was a further area of pressure as well as drugs including volume increases together with the cost of new drugs, changes to protocols for some drugs and market conditions of supply.

As part of the 2017/18 financial plan the Board set itself a challenging efficiency target of £15.7m. Although £8.3m of efficiency savings were delivered in year, which was a significant achievement, this fell short of the target by £7.4m. In addition the recurring element of £12.9m was not fully achieved with a recurring shortfall of £8.8m being carried forward into 2018/19. This is an increase from the shortfall of £4.9m which was unmet in 2016/17.

The organisation worked hard to address all of these pressures and used its contingency funds, slippage on the capital programme and additional funding directed from the Integration Joint Board and Scottish Government to offset overspending areas.

Notwithstanding the financial and operational pressures the Board has encountered a number of key challenges and risks during 2017/18 which include the following:

- The impact of changing demographics with both overall numbers and the proportion of elderly in the population rising year on year, this trend is forecast to continue. The board has put in place a transformational change programme to consider how it can redesign services to meet the increasing demand from the finite level of resources available.
- Workforce including recruitment and supply, the age profile and succession planning continue to be risks identified in the NHS Borders workforce plan with an agreed action plan detailing mitigating measures where appropriate.

PERFORMANCE REPORT**a) OVERVIEW (continued)****3. Risk and Uncertainty**

- The risk of an aging IM&T infrastructure was clearly highlighted to the Board following internal and external reviews undertaken during 2016/17. The Board directed resources during 2017/18 as the first year of a multiyear IM&T Road to Digital Programme. Scottish Government (SG) supported the Board with £3m of capital resource for this programme in 2017/18. Working closely with SG the Board will continue to progress the required modernisation of its infrastructure platform and replacement of key clinical and clinical support service applications and software. The design of the new technology infrastructure focused on addressing a number of risks identified following the Cyber attack experienced in May 2017.
- NHS Borders has a good quality but aging estate which, through ongoing maintenance, is managed and continues to meet the needs of services. For the longer term business cases in line with the Scottish Capital Investment Manual are required to be produced and submitted to the national Capital Investment Group (CIG). During 2017/18 the first stage of this process was completed when the Strategic Assessment was submitted to CIG for the Borders Health Campus which through the business case process will review the provision of services and required estate on the site currently occupied by Borders General Hospital.
- Through the Property and Asset Management Strategy (PAMS) risks associated with ageing equipment infrastructure have been identified. A robust prioritisation process is in place to ensure the highest priority items are replaced.
- The challenges and the complexities of planning and delivering services were noted following the creation of the Scottish Borders Health and Social Care Integration Joint Board (IJB) which was introduced as a separate legal entity from 1st April 2016. In addition the requirement to develop regional plans as set out in the 2017/18 Local Delivery Planning Guidance necessitate a revised approach to working with partners. This revised approach of working more closely with the IJB and other Boards in the East Region (NHS Fife and NHS Lothian) is at an early stage of development. The different approaches however do bring significant opportunities.
- Early 2017/18 saw the recruitment and induction of a number of new Non Executive Directors, Executive Directors and Senior Management staff including most notably the Medical Director, IJB Chief Officer and Director of Nursing, Midwifery and Acute Services.

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS

1. Key Performance Indicators

The NHS Board measures its progress toward achieving the Scottish Government's 9 national health and wellbeing outcomes and the strategic improvement priority areas identified in the Local Delivery Plan (LDP) using a suite of performance indicators. The LDP gives detailed targets and trends for a number of key performance indicators. The Board also measures its performance against the financial targets set by the Scottish Government Health and Social Care Directorate. Performance against these targets is monitored by the management team and reported to the Board or Strategy and Performance Committee on a monthly basis.

As explained in more detail in the Governance Statement, the NHS Board has a formal system of risk identification and evaluation embedded throughout the organisation which seeks to manage risk and uncertainty. The Audit Committee reviews and monitors all risks which are identified to it. This has identified a number of corporate risks which the Board is currently managing and mitigating to ensure the achievement of the objectives of the LDP.

NHS Borders fully achieved its financial targets for 2017/18.

NHS Borders performance against key financial and non financial targets is detailed in sections below:

2.1 Financial Performance and Position

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

These targets are:

1. Revenue resource limit (RRL)
2. Capital resource limit (CRL)
3. Cash requirement

NHS Boards are expected to contain their net expenditure within these limits, and to report on any variation from the limits as set. The financial statements reported for the Borders Health Board Endowment Funds are excluded from the financial targets set for NHS Borders.

RRL

Scottish Government funding the Board receives to cover all day to day activities, excluding certain Family Health services which are covered centrally by the Scottish Government.

CRL

Covers additions to land and buildings or intangible assets or new equipment with a life greater than 1 year and a value greater than £5k.

PERFORMANCE REPORT**b) PERFORMANCE ANALYSIS (continued)****2.1 Financial Performance and Position****Cash Requirement**

A financing requirement to fund the cash consequences of the ongoing operations and net capital investment

Non Core Revenue Resource Limit provides funding for more technical accounting entries that do not directly trigger a cash payment such as the depreciation or impairment of an asset or the creation of a provision for a future liability.

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

	Limit set by SGHSCD	Actual Outturn	Variance (Deficit)/ Surplus
	£000	£000	£000
Core Revenue Resource Limit	223,926	223,885	41
Non Core Revenue Resource Limit	7,972	7,972	0
Core Capital Resource Limit	5,859	5,852	7
Non Core Capital Resource Limit	0	0	0
Cash Requirement	242,857	242,857	0

Memorandum for In Year Outturn	£000
Brought forward surplus from previous financial year	64
Deficit against in year total Revenue Resource Limit	(23)
Net savings against 2017/18 Revenue Resource Limit (RRL)	41

At 31st March 2018 the position for the Core Revenue Resource Limit is £41k underspent (surplus). The Core Capital Resource Limit is £7k underspent (surplus). These underspends can be carried forward into next year.

The memorandum of outturn attempts to show how the board would have performed against its RRL allocation in year if it did not have access to any amounts brought forward from the previous year. The brought forward from 2016/17 was £64k unspent. If this was not available the Board would have been £23k overspent in 2017/18.

In line with NHS Scotland's strategy NHS Borders is required to continuously improve the quality and efficiency of its services. A key element of the Board's plan to attain a financial breakeven outturn in 2017/18 was the achievement of its cost efficiency target. Although £8.3m of efficiency savings were delivered in year this fell short of the challenging efficiency savings target of £15.7m. In addition the recurring element of £12.9m was not fully achieved with a recurring shortfall of £8.8m which will be carried forward into 2018/19.

PERFORMANCE REPORT**b) PERFORMANCE ANALYSIS (continued)****2.1 Financial Performance and Position****Annual Accounts Preparation and Consolidation**

Consolidated within the Annual Accounts are the Borders Health Board Endowment Funds (known as 'The Difference') with International Accounting Standards (IAS) 27 "Separate Financial Statements".

NHS Borders is the corporate trustee of the 'The Difference' and the charity's objectives are for the benefit of NHS Borders in the advancement of health, through: improvement in the physical and mental health of the Board's population; the prevention, diagnosis and treatment of illness and the provision of services and facilities in connection to the above.

The main financial statements disclose the NHS Borders' financial position alongside that of the group which is the consolidation of NHS Borders and 'The Difference'.

Annual Accounts Preparation and Consolidation

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements include the additional disclosure required to accurately reflect the interest of Integration Joint Boards (IJB) using the equity method of accounting.

Note 25 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

- **Scottish Borders Integration Joint Board**

NHS Borders delegated services and provided resources for these services during 2017/18 to the Integration Joint Board, the financial details of which are noted in the following table:

Provision of Resources	2017/18 £'000	2016/17 £'000
Delegated Services	89,838	91,132
Social Care Fund	7,547	5,267
Integrated Care Fund	2,130	2,130
Health Board contribution to financial outturn	4,230	3,838
Scottish Government Ring Fenced Allocations	1,420	668
Sub-total Provision of Resources	105,165	103,035
IJB Set Aside Budgets	21,342	20,363
Total Provision of Resources	126,507	123,398

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.1 Financial Performance and Position

- **Scottish Borders Integration Joint Board**

The Board agreed that the same level of recurring resources were provided to the IJB for delegated services in 2017/18 from 2016/17. Due to spending plans in year, and the timing of commitments against ring fenced allocations, a reduced level of expenditure is reported on delegated services.

The Delegated Resources and the Commissioned Services are disclosed within Note 4 – Operating Income and Note 3 – Operating Expenses of the Board's Annual Report and Accounts 2017/18.

The Scottish Borders Integration Joint Board 2017/18 Annual Accounts will be available from the Scottish Borders Council website www.scotborders.gov.uk. The IJB recorded a breakeven position for financial year 2017/18 on commissioned services from NHS Borders.

- **Capital Investment**

The Board approved the following capital investment projects during 2017/18:

- Expenditure of £3m as year one of the Board's multi-year IM&T Road to Digital Programme. The programme will ensure our technical infrastructure, clinical and clinical support service systems and applications are updated, refreshed and fit for purpose.
- Completion of the Roxburgh Street Replacement Surgery in Galashiels with the GP's relocated from the existing surgery in May 2017.
- Completion of schemes at Eyemouth and Knoll Health Centres where an increase to available accommodation and reconfiguration works addressed the requirements as highlighted by the Primary Care Premises review.
- Turnkey works and commissioning of the replacement Gamma Camera CT for the radiology service.
- Continuing investment in rolling replacement programmes for NHS Borders Estate (£434k), Medical equipment (£692k) and Radiology equipment (£646k).

- **Payment Policy**

The Scottish Government is committed to supporting business by paying bills more quickly. The intention is to achieve payment of all undisputed invoices, where possible, within 10 working days, across all public bodies. The Board reports a good level of performance against both the 30 day contractual and the aspirational 10 day payment targets. The performance statistics reported within this section include all invoices paid by the Board, even where those have been subject to dispute.

PERFORMANCE REPORT**b) PERFORMANCE ANALYSIS (continued)****2.1 Financial Performance and Position**

- Payment Policy**

NHS Borders endeavours 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. The payment statistics (relating only to non-NHS suppliers) were as follows:

	2017/18	Volumes	2016/17	Volumes
Average period of credit taken	11 days		8 days	
- Total Number of Invoices paid		44,152		44,339
- Total value of invoices paid		£83.0m		£65.5m
Percentage of invoices paid within 30 days:				
- by volume	88%	38,905	94%	41,654
- by value	87%	£72.6m	89%	£58.6m
Percentage of invoices paid within 10 days:				
- by volume	80%	35,197	83%	36,925
- by value	75%	£62.0m	77%	£50.8m

- Provisions and Liabilities**

The following provisions and liabilities are included in the Board's 2017/18 Annual Accounts:

	Page	2017/18	2016/17
Provision for bad and doubtful debts	101	£0.456m	£0.328m
Trade and other payables (payable within 1 yr)	104	£35.075m	£36.240m
Accrual for outstanding Annual Leave	104	£1.802m	£2.083m
Clinical & Medical Legal Claims	105	£1.461m	£1.374m
Participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)	105	£9.815m*	£8.591m
Pensions and similar obligations	105	£1.514m	£1.553m

* The increase reported of £1.224m as part of the Board's participation in CNORIS relates to the NHS Borders proportion of the NHS Scotland provision for liability of outstanding Clinical Medical Negligence claims.

Full details of the provision held by the Board are reported in note 13 of the accounts (pgs 105-106).

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.1 Financial Performance and Position

- **Counter Fraud Services**

Patient Exemption Checking

Each year NHS Scotland Counter Fraud Services (CFS) carries out a programme of checks on patients claiming exemption from dental and ophthalmic charges. These checks are targeted on those areas where the risk of fraud or error is assessed to be highest. As in previous years, CFS has extrapolated these results to quantify the level of income potentially lost to the NHS due to patient exemption fraud or error. The extrapolated figure reported for 2017/18 totalled £97,899 (2016/17: £101,469). CFS has previously accepted that these extrapolations may not be a reliable indicator of the actual level of fraud/error or of any underlying trend. It is not considered that this potential patient exemption fraud/error arises as a result of any significant weakness in the Board's system of internal control and the NHS Board is satisfied that it, in conjunction with CFS, has taken all reasonable steps to mitigate the risk of any patient exemption fraud/error occurring.

Anti Bribery and Anti Corruption

Counter Fraud Services continue to support the fraud agenda with the Board through the local Countering Fraud Operational Group (CFOG). During 2017/18 CFS facilitated a development sessions for CFOG Senior Management members and their teams together with a dedicated Board Member Development Session covering this topic.

NHS Borders will continue to work with CFS to ensure the maximum possible resource is available for health services in the Borders.

2.2 Performance against Key Non-Financial Targets

The Board's Local Delivery Plan (LDP) submission in 2017/18 details standards for specified performance indicators across a number of national standards set by the Scottish Government. As part of the LDP submission to the Scottish Government, the NHS Board commits to achieving a number of national standards and also gives a trajectory and an assessment of the main risks against delivery. NHS Borders Board reviews the performance of the organisation at each Board meeting. This is facilitated through the production of monthly performance scorecards in order to monitor progress towards achievement of the national standards agreed through the LDP as well as monitor progress against local Key Performance Indicators (KPIs). It also details the key actions that services are taking if trajectories are not being delivered. This is considered, scrutinised and challenged by the Board at each meeting. The monthly performance scorecard is reviewed and refreshed at the end of each financial year to ensure that this reflects current national and local objectives.

PERFORMANCE REPORT**b) PERFORMANCE ANALYSIS (continued)****2.2 Performance against Key Non-Financial Targets****2017/18 End of Year Performance against Local Delivery Plan and Local KPI Standards**

The following table presents the assessment of performance in relation to the 2017/18 standards.

		Area of Measure	Period	Target	Latest Position	RAG Status	
LDP Standards	Safe	Clostridium Difficile infections	Average quarter to Dec-17	0.32 per 1000 occupied bed days	0.23	Green	
		SAB infections	Average quarter to Dec-17	0.24 per 1000 occupied bed days	0.41	Red	
	Person Centred	Sickness Absence	Average to end Mar-18	4%	5.3%	Red	
		Dementia PDS	2015/16	100% of people newly diagnosed will have post diagnostic support	92.7%	Green	
	Equitable	Smoking Cessation -	Cumulative to Sep-17	Sustain and embed successful smoking quits, at 12 weeks post quit, in the 40% SIMD areas	63.9%	Green	
		Alcohol Brief Intervention	Cumulative to Mar-18	Sustain and embed alcohol brief interventions in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings 1,312	897	Red	
		Early Diagnosis & Treatment in first stage Cancer	2015/16	People diagnosed and treated in 1st stage of breast, colorectal and lung cancer (25% increase)	22.78%	Red	
		Access to Antenatal Care	Rolling year to Jun-17	at least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation	80.2%	Green	
	LDP Standards	Timely	Cancer Waiting Times	Average to end Feb-18	31 days from decision to treat (95%)	98.6%	Green
			Cancer Waiting Times	Average to end Feb-18	62 days from urgent referral with suspicion of cancer (95%)	94.5%	Amber
TTG			Average to end Dec-17	12 weeks Treatment Time Guarantee (100%)	92.3%	Amber	
18 weeks Referral to Treatment			Average to end Feb-18	90%	87.5%	Amber	
12 weeks for first outpatient appointment			Average to end Dec-17	95% with stretch 100%	81.2%	Amber	
Eligible patients commence IVF treatment within 12 months			Annual for 2017	90%	100%	Green	
*18 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS)			Average to end Nov-17	90%	86.7%	Amber	

PERFORMANCE REPORT**b) PERFORMANCE ANALYSIS (continued)****2.2 Performance against Key Non-Financial Targets**

		*18 weeks referral to treatment for Psychological Therapies	Average to end Nov-17	90%	61.8%	Red	
		Clients will wait no longer than 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery	Average to end Feb-18	90%	78.1%	Red	
		48 hour access to GP	March 2016	90%	92.9%	Green	
		Advance booking to an appropriate member of the GP team (90%)	March 2016	90%	84.3%	Amber	
		4 hours from arrival to admission, discharge or transfer for A&E treatment	Average to end Feb-18	95% with stretch 98%	92.8%	Amber	
Local KPIs	Effective	On-line triage of referrals (90%)	Average to end Mar-18	90%	93.4%	Green	
		New Patients DNA Rate (4%)	Average to end Mar-18	4%	5.0%	Red	
		6 week standard for key Diagnostic tests	Average to end Mar-18	Zero patients	184	Red	
		Admission to Stroke Unit within 1 day of admission	Average to end Feb-18	90%	80.3%	Amber	
		No Delayed Discharges over 3 days	Average of census Mar-18	Zero patients	25	Red	
		Same Day Surgery	Average to end Feb-18	86%	80.3%	Amber	
			Pre-operative stay reduced	Average to end Jan-18	0.47	0.04	Green
			Reduce Emergency Occupied Bed Days aged 75 or over per 1,000	Rolling year to Jun-17	3685	3640	Green
			Increase the proportion of new-born children breastfed at 6 - 8 weeks	Average to end Dec-17	33%	37.6%	Green

* The Board has been unable to report on CAHMS and Psychological Therapy Waits since November 2017 due to the implementation of a new Patient Administration System across Community and Mental Health Services, the reporting solution from the system is under development with an expected timeline for reports advised as June 2018.

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.2 Performance against Key Non-Financial Targets

Areas of good performance across the year are detailed below:

- National cancer target for 31 days relating to decision to treat was achieved across the year.
- Reduction in Emergency Occupied Bed Days for aged 75 or over (per 1,000).
- Smoking Cessation rates well above the target.
- Access to Antenatal Care.
- Increase the proportion of new-born children breastfed at 6 - 8 weeks.
- Clostridium difficile rate was below the national target.
- Pre-operative stays were considerably below the target.
- 48 hours access to GP was above the 90% target.
- Financial targets were achieved.

The main areas where current performance has been out-with the trajectory are listed below:

- The national cancer target for 62 days urgent referrals was not consistently achieved throughout the year due to reliance on other health boards for treatment (the target was achieved in 7 months of the year, with 4 months being 100% and lowest performance being 80%).
- The sickness absence rate has been out-with the standard of 4%; and this continues to be above the Scottish average.
- No child waited for more than 18 weeks for CAMHS for the first 5 months of the year, however performance fell below from Sep to Oct due to staffing issues.
- The combined referral to treatment target (RTT) was met for the first 5 months of the year; however this has not been met since August 2017.
- 357 patients waited over 12 weeks for an outpatient appointment in March 2018.
- 230 patients waited over 12 weeks for an inpatient appointment in March 2018.
- The 12 week Treatment Time Guarantee has not been met.

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.2 Performance against Key Non-Financial Targets

Performance monitoring is in place across the organisation. Performance scorecards are produced monthly for each Clinical Board area and performance reviews take place two times per year. The Clinical Executive Operational Group undertook a number of “under the spotlight reviews” during 2017/18 with a view to identifying key actions to be progressed, spotlight review areas included the following areas:

- Dermatology.
- Chronic Pain.
- Sickness Absence.
- Orthopaedics.
- Psychological Therapies Waiting Times.
- Cancellations.
- Linen Incidents.
- Community Hospitals.

In addition during the course of the year a number of “deep dive”, including Sickness Absence, Colonoscopy Pressures, Waiting Times for Inpatients/Outpatients and Did Not Attend levels have been undertaken at the Board and at the Strategy and Performance Committee development sessions. Service leads are able to outline key risks, issues and actions in more detail to Board members to provide additional scrutiny and assurance.

Full details on performance against targets including the Local Delivery Plan Standards as well as locally agreed targets can be found in the Performance reports, available on the NHS Borders website <http://www.nhsborders.org.uk>.

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.3 Sustainability and Environmental Reporting

NHS Borders has been monitoring its utility energy consumption, emissions and costs in excess of 15 years and reports this information on an annual basis to Health Facilities Scotland (HFS) via inclusion in the annual Property and Asset Management Strategy report and in the annual Public Sector Sustainability Report.

In 2008 in conjunction with the Carbon Trust, the Board produced a Carbon Management Plan (CMP) aimed at addressing a substantial reduction in its carbon impact by 2016 utilising a baseline year of 2007. The Board at that time had a carbon footprint of 12,318 tonnes of CO₂ and the annual emissions were reduced by 18% to a carbon footprint of 10,049 tonnes of CO₂ by 2016.

The initial five year phase of the local delivery plan standards ran to 31 March 2015 and indicated that compared with a 2009/10 base date, NHS Borders had achieved an energy efficiency reduction of 9.87% against a target of 5.85%, and a CO₂ reduction of 22.58% against a target of 16.71%. From April 2015 a new targetting regime for energy consumption and Greenhouse Gas Emissions reductions came into force across all NHS Boards and covers the period 2015-2020. From this date all sites within the estate portfolio are taken into account when measuring against the target where previously only in-patient areas were included. The target set is a 6.5 % target reduction in energy consumption and greenhouse gas emissions by 2020, compared against a 2014/15 baseline and at 31 March 2018 the Board has achieved a 6.9% energy efficiency reduction and a 10.8% CO₂ reduction.

In addition The Climate Change (Scotland) Act 2009 set outs measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an order was introduced requiring all designated major players (of which NHS Borders is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Act, along with copies of prior year national reports, can be found at the following resource:

<http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/> .

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.3 Sustainability and Environmental Reporting

The reductions have been achieved by:

- Raising staff awareness, education and training from the first day at work to the last day at work to encourage good housekeeping practices throughout the organisation's diverse property portfolio.
- Reducing energy consumption in buildings by reducing unnecessary usage (via "Switch Off" campaigns), increasing energy efficiency (heating, insulation and lighting) and prioritising and strengthening our approach to data monitoring.
- Installation of biomass boilers at Hawick, Kelso and Knoll Community Hospitals, Huntlyburn & Melburn Lodge Mental Health Units and Stow and West Linton Health Centre continues to assist in reducing CO₂ emissions and providing fuel security for the sites.
- Replacement of older gas boilers with new energy efficient boilers, updating of controls and regular checks on operating times and temperatures.
- Introduction of LED lighting, both internally and externally on our existing buildings and specifying these along with photovoltaic panels (PV) on refurbishments and new build capital projects.
- Reducing emissions from our vehicle fleet by procuring fuel efficient vehicles and low emission vehicles allied to specific driver training and improved monitoring of the fleet.
- The introduction of carbon life cycle costing to the procurement process for all capital and revenue projects which will assist in assessing the efficiency of equipment and property and the related cost/carbon impact.

Looking forward to 2020 and beyond, with the publication of the NHS Scotland Waste Management Action Plan 2016-2020, the Board has also been set targets for waste reduction and recycling rates. By 2020 the Board is committing to reducing domestic waste arising by 7% and by the year 2025 this commitment will rise to a 15% reduction against a 2012/13 base year. During the same period the commitment is that the Board will achieve a domestic waste recycling rate of 60%, rising to a rate of 70% by 2025 against a 2014/15 base year.

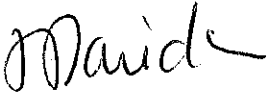
To assist in achieving these targets, during 2017/18 the domestic waste from NHS Borders community sites has been delivered to a Mixed Recycling Facility (MRF) where items of waste suitable for recycling are removed from the waste stream and this has led to 94% of this waste being recovered with the remaining 6% being utilised to produce heat and electricity via an Energy From Waste plant, thus diverting the waste produced from landfill.

PERFORMANCE REPORT

b) PERFORMANCE ANALYSIS (continued)

2.3 Sustainability and Environmental Reporting

During 2018/19 the domestic waste produced by the Borders General Hospital will also be disposed of via the Mixed Recycling Facility route and the introduction of initiatives to reduce waste produced within the organisation, by improving waste minimisation, improving waste segregation, increasing recycling and reducing paper consumption will be a priority during the year.

Signed 
Chief Executive and Accountable Officer

28th June 2018

THE ACCOUNTABILITY REPORT

Corporate Governance Report

a) The Directors' Report

Naming Convention

NHS Borders is the common name for Borders Health Board.

Date of Issue

The financial statements were approved and authorised for issue by the Board on 28th June 2018.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General has appointed Audit Scotland to undertake the audit of NHS Borders for the period 2016/17 to 2021/22. Gillian Woolman, Assistant Director with Audit Scotland is the appointed Engagement Lead for the audit. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

Under the terms of the Scottish Health Plan, the NHS Board is a board of governance whose membership will be conditioned by the functions of the Board.

Non Executive Directors of Health Boards are appointed as elected stakeholders or through a public recruitment process directed by the Scottish Government.

Executive Directors of Health Boards are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

The Health Board has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and health care. The members of the NHS Board who served during the year from 1st April 2017 to 31st March 2018 were as follows:

Non-Executive Members

Mr J Raine, Chair
Cllr C Bhatia (to 30th April 2017)
Mr D Davidson
Mr M Dickson (from 1st August 2017)
Mrs K Hamilton
Dr S Mather
Mr J McLaren
Cllr D Parker (from 14th June 2017)
Dr D Steele (to 30th April 2017)
Mr T Taylor (from 1st August 2017)
Mrs A Wilson

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

a) The Directors' Report

Board Membership

Executive Members

Mrs J Davidson, Chief Executive

Mrs C Gillie, Director of Finance, Procurement, Estates and Facilities

Dr T Patterson, Director of Public Health

Mrs C Pearce, Director of Nursing and Midwifery (from 1st May 2017)

Dr C Sharp, Medical Director

Mrs J Smyth, Director of Strategic Change & Performance*

*Mrs J Smyth is not a Scottish Government appointed Executive Director.

The Board members' responsibilities in relation to the accounts are set out in section c) of the Corporate Governance Report. (pg 30).

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 23 (pg 116).

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 Office of the Chief Executive at the NHS Board headquarters in the Education Centre, Borders General Hospital, Melrose.

Access to the Register of Interest can be made via the Board's website <http://www.nhsborders.org.uk>.

Directors' Third Party Indemnity Provisions

No third party indemnity has been in place for any Director of the Board at any time during the financial year.

Pension Liabilities

The accounting policy note for pensions is provided in the Accounting Policy Note 1 (pg 81) and disclosure of the costs is shown within Note 19 (pg 110) and the Remuneration Report (pg 44-54).

Remuneration for Non Audit Work

No remuneration has been made to Audit Scotland in respect of any non audit work carried out on behalf of the NHS Board.

Value of Land

There are no differences between the market value and the balance sheet value of land.

THE ACCOUNTABILITY REPORT**Corporate Governance Report (continued)****a) The Directors' Report****Public Services Reform (Scotland) Act 2010**

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose 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.

NHS Borders has met the requirements of the Public Services Reform (Scotland) Act 2010 by publishing the required information on its external website <http://www.nhsborders.org.uk>.

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

Events after the End of the Reporting Period

There have been no events after the end of the Reporting Period.

Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 22 (pg 113-115).

Personal data related incidents reported to the Information Commissioner

Two personal data related incidents were reported to the Information Commissioner's (IC) office in 2017/18, the incidents concerned the transfer of patient information which was not anonymised and inappropriate access to patient records. The Board will follow the direction of the IC in these matters.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

b) The Statement of Accountable Officer's responsibilities

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

This designation carries with it, responsibility for:

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

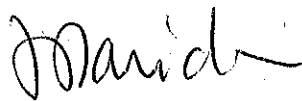
In preparing the Accounts I am required to comply with the requirements of the Government's Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures; and
- Prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of the 1st January 2015.

Signed



28 June 2018

Chief Executive and Accountable Officer

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

c) The Statement of Board Member's Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2018 and of its operating costs for the year then ended. In preparing these accounts the Members' are required to:

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

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

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

Signed

John Daine

28 June 2018

Chair

Signed

C. A. Gille

28 June 2018

Director of Finance

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. 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 principle 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 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 the Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year ended 31 March 2018, and 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.

Governance Framework

The Accountable Officer is supported to discharge her responsibilities by the existence of the following governance framework:

The Board

The Board met in public bi-monthly during the year to progress the business of the NHS Board.

Board Strategy & Performance Committee

The Board meets on alternate months to the public meeting as a Strategy & Performance Committee to continue to review key business activities including the financial position, update on the efficiency programme and the performance scorecard of the organisation.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

The Governance Statement

Standing Committees

The NHS Board is supported by a number of standing committees which are directly accountable to it:

- Clinical Governance.
- Audit.
- Staff Governance.
- Public Governance.
- Pharmacy Practices Committee.

Minutes of each of the standing committees are noted by the full NHS Board.

The remit of each standing committees is noted below:

Clinical Governance Committee

The purpose of the Clinical Governance Committee is to assist the NHS Board to deliver its statutory responsibility for the quality of healthcare that it provides. In particular, the Committee will seek to provide assurance to the Board that clinical governance controls are in place and effective across NHS Borders, and that the principles of clinical governance are applied to the health improvement activities of the Board.

Audit Committee

The purpose of the Audit Committee is to ensure compliance to the Board's Code of Corporate Governance and give assurance that an effective system of internal control is maintained. The duties of the Audit Committee are in accordance with the Scottish Government Audit Committee Handbook and include assisting the Board to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control.

Staff Governance Committee

The purpose of the Staff Governance Committee is to provide assurance to the Board that NHS Borders meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard. In particular, the Committee will seek to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards achievement of the standard.

The Committee supports and maintains a culture within the health systems where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the system and is built upon partnership and collaboration, covering issues such as training, communications, fairness and consistency, health and safety, whistleblowing and trade union partnership.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Public Governance Committee

The purpose of the Public Governance Committee is to ensure that the NHS Board discharges its legal obligation to involve, engage and consult patients, the public and communities in the planning and development of services and in the decision making process about the future pattern of services provided.

Pharmacy Practices Committee

The purpose of the Pharmacy Practices Committee is to consider applications for inclusion in the Board's pharmaceutical list, in accordance with the National Health Service (Pharmaceutical Services) (Scotland) Regulations 2009. The Committee did not meet during 2017/18 as no new applications were submitted.

Corporate Governance

Corporate Governance arrangements in place within the Board to support the Accountable Officer are detailed below:

- The Board operated to its organisational Vision, Values and Corporate Objectives as set for the 3 year period 2016-19. "Safe patient care is our number one priority" which reflects the Board's commitment to the population it serves and the organisational values by which care will be delivered. The Board has a clear focus to provide patient care that is safe, effective and affordable.
- The Board continues to operate the Patient Safety Programme, which encompasses regular reporting to Board Members on national quality standards and key performance indicators.
- During 2017/18 the Board operated a corporate performance management and reporting framework. This included the ongoing development and review of Service/Clinical Board/Clinical Executive performance scorecards and 6 monthly performance reviews, ensuring focus on quality and safety as well as wider service performance issues. Progress against key performance targets, including Local Delivery Plan standards, are reported to the Board on a regular basis.
- The Board Member development programme is in place for the all members of the Board with monthly sessions concentrated on specific topics selected for their national strategic content, current relevance to the business of NHS Borders, issues concerning local service provision or particular areas of interest from which knowledge and skills can be gained. The provision of such concentrated discussion strengthens the Executives and Non Executive Directors to achieve their strategic and operational roles.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

- The standing committees, strategic and operational groups within the organisation are remitted to promote Best Value within NHS Borders thus ensure that all processes within the Board have in-built Best Value elements and aim to achieve:
 - Continuous improvement which will help ensure sustainable economic growth for the people of Scotland whilst maintaining an appropriate balance between quality and cost; and
 - Realising economy, efficiency, effectiveness, and equal opportunities requirements and contributing to the achievement of sustainable development.
- NHS Borders is fully aware that the Duty of Best Value principles are about creating an effective organisational context from which the NHS Borders can deliver its key outcomes. Best Value is considered by the Board as simply a codification of good governance and good management and therefore existing governance processes should be utilised wherever possible.
- By embedding Best Value in existing governance processes, assurance and evidence can be held demonstrating NHS Borders incorporates Best Value principles in everyday business.
- NHS Borders Code of Corporate Governance (CoCG) is in place and uses best practice in Corporate Governance as set out in reports such as Cadbury and Nolan, as well as guidance issued by the Scottish Government Health and Social Care Directorate (SGHSCD). The CoCG includes sections detailing how business is organised, members' code of conduct, standards of business conduct for NHS staff, the Counter Fraud Policy and Action Plan, reservation of powers and delegation of authority and standing financial instructions. The CoCG details fully the core functions of the Audit Committee and the other standing committees of the Board including the terms of reference which are reviewed and approved on an annual basis. This ensures explicit agreement of the purpose, core functions and delegated remit of each committee.
- The CoCG is reviewed and presented for approval to the Health Board on an annual basis. A detailed report presenting recommended changes to the Code was approved in October 2017. A number of changes to the Code were made to explicitly detail the requirements of members and staff in relation to the Anti Bribery Act 2010 Gifts, Gratuities and Hospitality. Direct contact to all Line Managers within the organisation has been progressed to ensure all staff are aware of the updated requirements.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

- The Board ensures it maintains strong financial governance supported by the CoCG which incorporates the Board's standing orders and scheme of delegation. To support the scheme of delegation an authorised signatory database is in place.
- The office of the Chief Executive manages the distribution process of incoming instruction in matters of law and regulation with Executive Directors taking action as necessary. The External and Internal Audit review of internal policies and procedures, as part of the risk assessed Annual Audit Plans, give assurance that compliance is achieved.
- NHS Borders 'Whistleblowing Arrangements' policy was signed off by the Area Partnership Forum in June 2017. The Policy is available from the NHS Borders Staff Intranet. This policy replaced the Voicing Concerns Policy and should be used to raise concerns where the interest of patients, staff or of NHS Borders is at risk. The NHS Scotland Whistleblowing Alert and Advice Services is also referenced for use on the NHS Borders Staff Intranet.
- The Board Remuneration Committee is in place to ensure compliance with mandatory requirements for the performance management of staff in the Executive cohort. Setting and agreeing performance objectives remains a key element of the performance management system for staff in the Executive and Senior Management cohorts within NHS Borders. Each member of staff covered by Executive and Senior Managers pay arrangements has an annual appraisal the results of which are considered by the Remuneration Committee.
- NHS Borders reviewed partnership working during 2017/18. Through a process of external review commissioned on behalf of the Area Partnership Forum, by Co-Chairs Chief Executive and Employee Director, the review sought to establish successful working arrangements, relationships and behaviours which would support the organisation to deliver in partnership new financial and workforce plans. The Board continues to progress the improvement areas discussed as part of the review.
- Review of Governance Arrangements
NHS Borders plans to undertake a review of governance arrangements in 2018/19 including the role of committees, key issues being considered and how they provide assurance to the board.
- NHS Borders ensures it appropriately governs its research activities by referring any research request for independent advice to the South East Scotland Research and Ethics Service (SESR&ES). The SESR&ES consider whether the planned activity adequately protects the dignity, rights, safety and well being of individual research subjects. Outcomes from the Research Governance process are reported to the Board's Clinical Executive Operational Group.

THE ACCOUNTABILITY REPORT**Corporate Governance Report (continued)****d) The Governance Statement**

- The Scottish Borders Health and Social Care Integration Joint Board (IJB) became a fully functioning legal entity on 1st April 2016. The IJB is supported by the Local Authority and NHS Board Joint Staff Forum, working within the agreed Scheme of Integration to jointly deliver the outcomes detailed in the Scottish Borders Strategic Commissioning Plan, delegated functions and resources provided to the IJB by the Health Board to operate those functions are as set out in the Scheme of Integration. The Board continues to support the IJB in delivery of the improvement actions as agreed following the Care Inspectorate and Health Improvement Scotland reports.
- In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements include the additional disclosure required to accurately reflect the interest of the Scottish Borders IJB using the equity method of accounting.
- Assurance of process undertaken to set up the IJB was given by the Scottish Borders Council internal auditor in financial year 2016/17 where in addition an audit of the health and social care integration financial and performance reporting and controls was undertaken as part of NHS Borders internal audit plan. The resultant report noted a classification of ‘Low Risk’, implementation of the recommendations made in the report has been reported to the Board's Audit Committee. An internal audit review during 2017/18 covering the scope of H&SCI Risk Management has recently concluded (March 2018) the report was given a classification of low risk, the implementation of one recommendation has been agreed with senior managers. The agreed timelines of implementation will be reported to the Board's Audit Committee.
- The Board utilises many forms of communication including Staff Share updates, the Intranet ‘Ask the Board’ facility and a weekly BGH newsletter; as well as leadership walkrounds by senior managers.
- In accordance with ‘IAS 27 – Separate Financial Statements, the Financial Statements’ consolidate the Borders Health Board Endowment Fund (known as ‘The Difference’). An unqualified audit opinion has been provided from the independently appointed auditors, ‘Geoghegans’, following the 2017/18 audit of the Endowment Fund Financial Statements. The audit opinion includes that no significant issues were reported as part of the audit, with a number of recommendations being made which will be considered by the Trustees. This Governance Statement includes any relevant disclosure in respect of Endowment Funds.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

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:

- Executive and Senior Managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Statements of Assurance from the core governance committees of the NHS Board;
- 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 made by the external auditors in their management letters and other reports.

The control mechanisms are overseen and evaluated by the NHS Board, its standing committees (as detailed in this Governance Statement) and a number of other groups including:

- The Remuneration Committee, which is a subcommittee of the Staff Governance Committee and deals with all aspects of Executive and Senior Manager Pay arrangements;
- The Individual Clinical Boards who hold responsibility for Risk Management; and
- The Information Governance Committee.

The review of the effectiveness of the governance framework in place for NHS Borders is a comprehensive documented exercise within NHS Borders and includes the following:

- Review against guidance from the Scottish Government Health and Social Care Directorate;
- Statements of Assurance from the Governance Committees of the Board;
- The role of Internal and External Audit in providing the Board with assurance;
- Statement on achieving the objectives of Best Value;
- Third Party Assurance Reports;
- Annual Fraud Report; and
- Report on Losses and Compensation (SFR18).

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Review of Adequacy and Effectiveness

The process identifies and documents the sources of assurance and the information considered by the Audit Committee in reaching a conclusion on the effectiveness of the governance framework. The Audit Committee reports its conclusion to the NHS Board leading to the Chief Executive as the Board's Accountable Officer signing off the Governance Statement.

Best Value

In accordance with the principles of Best Value, NHS Borders aims to foster a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SPFM).

Risk Assessment

NHS Scotland bodies are subject to the requirements of the SPFM, and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers.

NHS Borders is committed to continuous improvement and develops systems in response to any relevant reviews and identification of best practice.

The Risk Management Strategy, policies and supporting guidelines provide the overall risk management framework for NHS Borders. Operational accountability and responsibility for risk management within the organisation is held by the clinical board governance groups which directly report to the Clinical Executive Operational Group. Scrutiny and assurance arrangements to NHS Borders Board have been strengthened by the receipt of more robust governance reports from the Clinical Boards as well as Support Services Directorate particularly in relation to high risks. As part of ensuring continued improvement in this area additional review and reporting proposals are currently being discussed lead by the Director of Nursing and Midwifery.

The Board at the Strategy and Performance Committee on the 7th September 2017 received an update on the strategic risk register, including mitigating actions in place, and future plans to identify additional strategic risks to the organisation

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Risk Assessment

An Audit and Review Protocol is in place that aims to continually improve the risk register information to ensure it is consistent, accurate and action plans linked to risk are robust. The audit takes place on a bi-annual basis. Risk owners have direct access to audit findings and recommendations with risk activity being reported to the Clinical Executive Operational Group in the Risk Management Report. In September 2017 and March 2018 the Audit Committee received an update on the very high risks across the organisation.

The Resilience Committee, reporting to the Clinical Executive Operational Group, is remitted to support the Chief Executive in the implementation of their duties in all areas of Resilience Planning within NHS Borders. The Resilience Committee submitted to the Audit Committee at its June 2017 meeting a 2017/18 work plan to set out how NHS Borders will fulfil its civil contingencies obligation.

The Datix Risk Management system is utilised by the Board for healthcare risk management, incident reporting and adverse events reviews.

In addition to risk management process, training is provided to the organisation on how to apply risk management, to use the risk register and manage incidents. Statutory mandatory training programmes are also provided which address corporate and operational risk.

During financial year 2017/18, the Information Governance Annual Assurance Report demonstrates that NHS Borders continues to embed the elements of information governance in the way business is conducted.

Core business includes the Information Governance Action Plan exception reporting, Information Governance Incident Reporting, Freedom of Information, Information Security, Records Management and Data Quality and Staff Awareness and Training as standing agenda items of the Committee. Two breaches of information governance have been reported to the Commissioner by the Board in the period to the date of this report.

Assurance Statement

Taking account of the work done, I consider that I have taken appropriate steps to ensure that I have discharged my responsibilities in relation to the management of risk on behalf of NHS Borders.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Disclosures

During the year ended 31 March 2018 in accordance with its remit, the Board Audit Committee undertook a comprehensive review of the NHS Borders Governance Framework for 2017/18, informed by a variety of sources but in particular the work of internal and external audit and assurances from those responsible for each of the governance streams. The following points were noted as part of this review:

2015/16, 2016/17 and 2017/18 Internal Audit - Implementation of recommendations to address identified high risks

Reports produced by Internal Audit following Internal Audit Reviews together with the progress made to implement the recommendations from the reviews is regularly reported to the Board Audit Committee. The reports note the risk category of the recommendation and the status of implementation. As at 31st March 2018, high risk recommendations reported from 2015/16 audit reviews have been progressed and implemented with 2 recommendations being reported as outstanding, these relate to staff training & development and facilities available for use as training venues for Junior Doctors. In terms of staff training and development a compliance report has been identified for completion by end of May 2018 together with a System and Process Team dashboard. Fit for purpose training venues in addition to those already in use for the Junior Doctors continue to be sought.

One high risk recommendation reported from the 2016/17 audit reviews related to Cyber Security Maturity. NHS Borders has benefited from significant investment and is currently implementing the first phase of its “Road to Digital” programme which will upgrade the infrastructure with the latest technology and provide a key form of defence for the organisation in relation to Cyber Security and will address some of the risks. Technical risks can only be mitigated to an extent by investment in the latest technology; therefore further work is planned alongside this in relation to the overall governance, scrutiny and awareness framework. An update on progress in relation to Cyber Security was presented to the Board Development Session in April, along with the recently published ‘Cyber – Public Sector Action Plan’. The requirement to comply with legislation and guidance has significantly increased workload within the Board's specialist teams and additional staff with the required expertise will be required for the foreseeable future.

Senior Officers have also confirmed progress of the 2017/18 high risk recommendation relating to Business Continuity. A detailed action plan has been prepared for agreement and implementation by the Resilience Operational Group. A business case has also been developed for a software system to ensure compliance with responsibilities under the Civil Contingencies Act 2004.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Disclosures

2017/18 Internal Audit - Annual Report

The Chief Internal Auditor Opinion for 2017/18 is noted as 'generally satisfactory with some improvements required'.

The Annual Report noted that Governance, risk management and control in relation to business critical areas are generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the effectiveness of the framework of governance, risk management and control.

The Chief Internal Auditor notes that the opinion is based on all audits undertaken during the year and detailed the key factors that contributed to the opinion given as summarised below:-

- Our report on Business Continuity Management was rated as High Risk overall. Our work highlighted weaknesses with regard to the maintenance and regular review of business continuity plans and business impact assessments. It also highlighted the need to better IT align disaster recovery arrangements with business requirements and for better coordination between business continuity and risk management in order to ensure that the Resilience Committee is fully informed of all business continuity risks.
- Our report on the Board's Financial Efficiency Savings arrangements was overall rated Medium risk, but it included one high risk finding in respect of the Board's recurring deficit in 2017/18 which will be carried forward. We also reported the need for the Board to develop a longer term financial plan to return the Board to a recurring financial balance position. This is of particular importance given the Board's opening recurring deficit for 2018/19 and a financial plan that does not demonstrate a break even position. The Board's financial gap for 2018/19 is in excess of £13 million; addressing this must be a key priority for the Board in 2018/19.
- A further two of the seven reviews completed were given an overall rating of Medium, as follows:
 - Gifts and Hospitality, and
 - Clinical Governance (Acute Services)

These reviews represent key areas for the Board in respect of the framework of governance, risk and control.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

2017/18 Internal Audit - Annual Report (continued)

The opinion report notes where the audit team were able to identify areas of good practice with these being detailed within the final reports presented to the Audit Committee. The Auditor's report also noted a number of reports (2) where the overall risk rating was reported as low including Budget Management and Financial Reporting and Health and Social Care Integration - Risk Management.

Senior Management within the organisation has agreed recommendations in relation to all audits undertaken and implementation of all recommendations will be monitored by the Audit Committee at each of its meetings during 2018/19.

Disclosures

2017/18 Local Delivery Plan Standards Performance

Strong performance against standards remains a key priority across all areas of NHS Borders. The key challenge for the Board is to ensure the continued delivery of quality clinical services and a high standard of operational performance whilst achieving financial targets. Performance against standards has been varied over 2017/18 (details provided on pages 18 to 21 of this report). The Board is regularly updated on progress made and actions taken to achieve the required standards. The financial and organisational pressures faced during 2017/18 did adversely impact on the delivery of a number of performance standards across the financial year.

2018/19 Financial Risk

The Board continues to face significant financial challenges. The 2018/19 position is compounded by £8.8m of recurring savings which were not achieved recurrently in 2017/18 which is carried forward into 2018/19. A further increase from the £4.9m shortfall carried forward from 2016/17.

The Board conditionally approved, on 5th April 2018, a 2018/19 financial plan which was unbalanced and which sets out the risks and assumptions taken into account in the plan. The plan estimated a savings challenge of £24.7m and although a draft efficiency plan of £11.6m was presented at the meeting there remains a significant financial shortfall in 2018/19. The Board requested an update to the financial plan for its meeting in June 2018 advising how a break even position will be delivered in 2018/19 including the outcome of discussions with Scottish Government and how recurring balance can be achieved with estimated timescales.

The Board also received an outline indication of the size of financial challenge it is likely to face in the next two years.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Disclosures

2018/19 Financial Risk (continued)

The key financial risks continue to be the achievement of financial targets, delivery of efficiency, delayed discharges, delivery of financial performance, operational pressures including workforce and prescribing. A transformation team was set up during 2017/18 and a year 1 programme was developed and progressed. A review of this programme is currently underway to ensure that this focuses on the areas which will deliver maximum impact as well as developing the programme for the next 3 years.

IM&T Infrastructure and Clinical Risk

IM&T has benefitted from significant investment in its “Road to Digital” programme to address risks associated with its ageing infrastructure and risk around operational delivery and increasing reliance on Clinical Systems. The programme is in its first phase of implementation and although progress has been made alongside the infrastructure changes there is also a requirement for staff to develop the skills, knowledge and capacity to support this with no certainty regards further resources.

Workforce

Delivery of the Board's services is dependent on having an appropriately skilled and available workforce. NHS Borders workforce plan for 2016-19 was refreshed in 2017 to progress the workforce priorities around ageing workforce, recruitment challenges, expected impact of Brexit as well as recruitment and retention of medical staff. The use of high costs agency staff and locums due to shortfall, although decreasing, has continued to impact on the financial position.

Delayed Discharges

The challenge linked to Delayed Discharges continued to impact the Health Board, both from a patient flow and financial perspective across the health system. A detailed piece of work was completed in 2017/18 to determine corrective actions and as a result a discharge to assess facility was opened at the start of December 2017. Nevertheless a significant level of delays have continued across the system which have impacted on the Board's performance.

Complexity of planning for Healthcare services

2017/18 has seen the planning for healthcare services become increasingly complex, independent needs of the Board together with the requirements and collaborative thinking across the south east region and with partners from the Health and Social Care Integration Joint Board must be progressed in an integrated, prioritised, outcome focused and beneficial way. Governance arrangements at Board level can be challenging in this environment.

THE ACCOUNTABILITY REPORT

Corporate Governance Report (continued)

d) The Governance Statement

Disclosures

Nursing Care Standards

On-going work to ensure that standards of care are being consistently applied across our services in relation to the findings from Care Inspectorate and Health Improvement Scotland inspections. These reports identified a number of areas for improvement which are being progressed through our 'Back to Basics' programme and ensure our nursing workforce have the necessary skills and training to deliver high quality care.

General Data Protection Regulations (GDPR)

Compliance to revised GDPR remains a key area of focus for the Board, project management to the process of review and implementation of any required changes to policies and procedures organisation wide is being overseen by the Information Governance Committee. The final implementation date for the requirements of GDPR was 25th May 2018 with the Board's Clinical Executive Operational Group on the 24th May noting a number of completed areas of work with heightened attention being given to the population of the organisation's Information Asset Register.

Borders Health Campus Development Programme

A strategic assessment on the development of the Borders General Hospital (BGH) Campus has been submitted to the Scottish Government Capital Investment Group and the East Region Programme Board. This is a statement of intent to take forward the production of a business case detailing the priority development of the BGH healthcare campus.



Jane Davidson,
Chief Executive and Accountable Officer
28 June 2018

REMUNERATION AND STAFF REPORT**a) Remuneration Report****BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION**

All figures in the Remuneration and Staff Report are subject to audit.

Remuneration Committee

The Remuneration Committee is a subcommittee of, and reports to, the Staff Governance Committee.

The purpose of the Committee is to ensure the application and implementation of fair and equitable systems for pay and for performance management on behalf of the Board as determined by Scottish Ministers and the Scottish Government Health and Social Care Directorate.

The Remuneration Committee comprised Mr. J Raine, Mrs. K Hamilton, Dr. S Mather, Mr J McLaren (Employee Director) and was chaired by Mr. J Raine. Mrs J Davidson, Mr. J Cowie (Interim Director of Workforce) and Mr. B Salmond (Head of Workforce Development and Medical Staffing) are in attendance at the Committee meetings.

Policy on the Remuneration of Senior Managers for Current and Future Financial Years

Board members and senior employees are remunerated in accordance with the work and recommendations of the Senior Salaries Review Body.

Determination of Senior Employees' Remuneration

Remuneration levels are determined by the Remuneration Committee.

Performance Measurement

The Executive and Senior Manager Pay arrangements including performance management arrangements were set out in the Pay and Conditions of Service NHS Circular - PCS (ESM) 2013/1. The PCS requires NHSS Boards to submit provisional performance ratings for employees within the Executive and Senior Manager cohort to the National Performance Management Committee on an annual basis for review and approval. Setting and agreeing performance objectives remains a key element of the performance management system for staff in the Executive and Senior Management cohorts. It is the responsibility of Health Boards and their Remuneration Committees, to oversee the local operation of these arrangements. The deliberations of Health Boards and the Remuneration Committee are subject to standard arrangements for internal and external audit.

Each member of staff covered by Executive and Senior Managers pay arrangements has an annual appraisal the results of which are considered by the Remuneration Committee. The Remuneration Committee will ask to have sight of appraisal documentation where they consider this appropriate. The outcome of the appraisal process is used to determine performance uplifts in line with the relevant NHS Circulars.

REMUNERATION AND STAFF REPORT

a) Remuneration Report (continued)

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Board Members' and Senior Employees' Remuneration Report

The Board Members' and Senior Employees' Remuneration report, shown on the following pages, details Board Members' and Senior Employees' remuneration, in bandings of £2,500 and £5,000. The Board remunerates Non Executive Member's in line with the Scottish Government Pay Terms and Conditions. Additional payment can be made to Non Executive Members based on a daily rate to reflect additional commitment required to conduct Board business. A number of the Board's Non Executive Members are Board Members of the Integration Joint Board. All payments made to NHS Board members, who are appointed members of the IJB, in relation to the activities of the IJB are excluded from the NHS Remuneration Report. Payments in relation to IJB business activities are reported as part of the 2017/18 IJB Annual Report and Accounts.

Changes to the Financial Reporting Manual (FRm) from reporting period 2013/14 required that a single remuneration figure be provided for Board Members and Senior Employees listed within the Remuneration Report. In addition separation of the details of remuneration from the details of pension values, in line with the Employee Pension Notice 380, has also been included for the current and previous year's figures.

The IJB Senior Employees, which are in part charged to the Health Boards accounts through their roles of Chief Officer and the Chief Finance Officer for the Scottish Borders Integration Joint Board (IJB), are not included in the Health Board's Remuneration Report as these employees are reported within the 2017/18 IJB Annual Report and Accounts Remuneration Report.

Hutton Fair Pay Review

The Hutton Fair Pay Review required that all public service organisations publish their top to median pay multiples each year. Hutton's Report outlines that a multiple would be a clear statement of fairness, compelling organisations to justify trends in their own multiple in the face of public scrutiny.

Accordingly within the remuneration report NHS Borders has disclosed the banded total remuneration of the highest paid director, the median remuneration of the staff and the pay multiple (ratio) between the two. The Hutton median pay calculation has been completed following the guidance from Scottish Government which supports consistent reporting across NHS Scotland.

REMUNERATION AND STAFF REPORT**a) Remuneration Report (continued)****Hutton Fair Pay Review**

The ratio comparing March 2017 and March 2018 has increased from 6.14 to 6.61 respectively. This is due to the highest earning Director's total remuneration increasing from pay band £175k-£180k of the previous Medical Director to the 2017/18 level of £190k-195k which relates to that of the current Medical Director Dr C Sharp. The increase reflects Dr Sharp's experience and seniority from his previous post as Associate Medical Director of Mental Health Services.

The salary range of NHS Borders employees is recorded as £16k to £195k in 2017/18 (£16k to £176k in 2016/17).

	2018	2017
Highest Earning Director's Total Remuneration (£'000s) Hutton	190-195	175-180
Median Total Remuneration	£29,116	£28,908
Ratio	6.61	6.14

Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on the NHS Borders' website before the 31st July each year. NHS Borders intend to publish this data at the following link: <http://www.nhsborders.org.uk>.

Requirements for the data to be disclosed within the Board's Annual Report and Accounts was unclear at the time of issue. The Cabinet Office published supporting guidance on 2 June 2018 which has clarified the data should be disclosed. Due to the timing of this confirmation, we were unable to collate validated reliable data to publish within the 2017/18 annual report and accounts therefore we will publish from 2018/19 onwards.

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

FOR THE YEAR ENDED 31 MARCH 2018

	Salary (Bands of £5,000) £'000	Benefits in kind £'000	Performance Related Bonus (Bands of £5,000) £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits (Bands of £1,000)** £'000	Total Remuneration (Bands of £5,000) £'000	Note
Remuneration of:							
Executive Members							
Chief Executive: Mrs J Davidson	115-120	*	*	115-120	67	180-185	
Joint Director of Public Health: Dr T Patterson	165-170	2.8	*	170-175	*	170-175	1&2
Director of Finance , Estates and Procurement : Mrs C Gillie	80-85	2.8	*	80-85	0	80-85	
Medical Director: Dr C Sharp	190-195	*	*	190-195	0	190-195	
Nursing & Midwifery Director: Mrs C Pearce (from 1st May 2017)	80-85	2.5	*	85-90	0	85-90	3
Interim Nursing & Midwifery Director: Mrs N Berry (April 2017)	*	*	*	*	*	*	4
Director of Statagic Change & Performance: Mrs J Smyth	75-80	2.7	*	80-85	18	100-105	
Non Executive Members							
Chair - Mr J Raine	30-35	*	*	30-35	*	30-35	
Councillor C Bhatia (to 30th April 2017)	0-5	*	*	0-5	*	0-5	
Mr D Davidson	5-10	*	*	5-10	*	5-10	5
Mr M Dickson (from 1st August 2017)	5-10	*	*	5-10	*	5-10	
Mrs K Hamilton	5-10	*	*	5-10	*	5-10	5
Dr S Mather	5-10	*	*	5-10	*	5-10	5
Councillor D Parker (from 14th June 2017)	5-10	*	*	5-10	*	5-10	
Dr D Steele (to 30th April 2017)	0-5	*	*	0-5	*	0-5	5
Mr T Taylor (from 1st August 2017)	5-10	*	*	5-10	*	5-10	5
Mrs A Wilson	5-10	*	*	5-10	*	5-10	6
Employee Director :Mr J McLaren	40-45	*	*	40-45	1	40-45	7
Total		10.8			86		

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

NOTES TO THE 2017/18 BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION REPORT

**In accordance with the Financial Reporting Manual (FReM) and the Companies Act, NHS Borders has detailed 'pension benefits' within its Remuneration Report. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

A number of pension benefits calculations for 2017/18 have resulted in negative figures, this is the case where the real increase in the pension benefit is less than the actual pension contributions made by the employee, a negative figure results. Negative figures are presented as zero in this Remuneration Report.

The Board Members and Senior Employees Remuneration Report details all ministerial appointments made to the Board of NHS Borders and includes where interim arrangements have been made in year to cover the Executive Director portfolio during periods of recruitment.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2017-18.

- 1 - The post of Director of Public Health was appointed jointly by NHS Borders and the Local Authority, Scottish Borders Council. Scottish Borders Council financially contribute £50,000 per annum towards the Salary & Pension Contributions costs of the post.
- 2 - Dr T Patterson opted out of the NHS Pension Scheme on 31st May 2016 and as a result did not receive any pension benefit in 2017/18.
- 3 - Mrs C Pearce was appointed as Nursing and Midwifery Director from 1st May 2017, full year equivalent salary costs for 2017/18 would have been £90k-£95k. Pension benefit information relates from the date of appointment.
- 4 - Mrs N Berry was appointed as Interim Nursing and Midwifery Director from 1st - 30th April 2017, no additional remuneration was received by Mrs Berry for this period and from 1st May 2018 Mrs Berry resumed her duties as Associate Director of Nursing.
- 5 - NHS Non Executive Director appointed as a Board Member of the Scottish Borders Integration Joint Board (IJB). Remuneration paid to NHS Non Executive Directors in respect of IJB membership has been removed from the NHS Remuneration Report. Full details of the IJB Board Member remuneration is reported in the 2017/18 IJB Annual Report and Accounts available from www.scotborders.gov.uk
- 6 - Mrs Wilson does not receive personal remuneration in relation to this appointment, Mrs Wilson's Directorate receives funding equivalent to the remuneration level to enable a time release of Mrs Wilson to fulfil Non Executive duties.
- 7 - Mr J McLaren is employed as a Non Executive Director of NHS Borders Board for one day per week and by NHS Borders as Employee Director for 4 days per week.

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

BOARD MEMBERS AND SENIOR EMPLOYEES PENSION VALUES

FOR THE YEAR ENDED 31 MARCH 2018

	Real increase in pension At age 60 (Bands of £2,500) £'000	Total accrued pension at age 60 at 31 March (Bands of £5,000) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Real increase in CETV in year £'000	Note
Remuneration of:						
Executive Members						
Chief Executive: Mrs J Davidson	2.5-5*	40-45*	650	730	80	1
	2.5-5#	100-105#				
Joint Director of Public Health: Dr T Patterson	0*	65-70*	1516	1513	(3)	2
	0#	195-200#				
Director of Finance , Estates and Procurement : Mrs C Gillie	0-2.5*	30-35*	683	702	8	
	0-2.5#	95-100#				
Medical Director - Dr C Sharp	0-2.5*	45-50*	1011	1054	19	
	0-2.5#	140-145#				
Nursing & Midwifery Director: Mrs C Pearce (from 1st May 2017)	0-2.5*	25-30*	531	548	6	3
	0-2.5#	85-90#				
Interim Nursing & Midwifery Director: Mrs N Berry (April 2017)	*	*	*	*	*	4
Director of Stategic Change & Performance: Mrs J Smyth	0-2.5*	15-20*	265	290	26	5
	2.5-5#	45-50#				
Non Executive Members						
Chair - Mr J Raine	*	*	*	*	*	
Councillor C Bhatia (to 30th April 2017)	*	*	*	*	*	
Mr D Davidson	*	*	*	*	*	
Mr M Dickson (from 1st August 2017)	*	*	*	*	*	
Mrs K Hamilton	*	*	*	*	*	
Dr S Mather	*	*	*	*	*	
Councillor D Parker (from 14th June 2017)	*	*	*	*	*	
Dr D Steele (to 30th April 2017)	*	*	*	*	*	
Mr T Taylor (from 1st August 2017)	*	*	*	*	*	
Mrs A Wilson	*	*	*	*	*	
Employee Director :Mr J McLaren	0-2.5*	5-10*	168	176	4	
	0-2.5#	25-30#				
Total			4824	5013	140	

* An entry suffixed with * indicates this figure relates to pension only

An entry suffixed with # indicates this figure relates to lump sum only

NOTES TO THE 2017/18 BOARD MEMBERS AND SENIOR EMPLOYEES PENSION VALUES

The Cash Equivalent Calculator used to calculate the above figures is obtained from the Scottish Public Pensions Agency and is updated for the NHS Pension scheme factors as advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the 'CETV at start of period' for 2017/18 can be different from the 'CETV at end of period' reported for 2016/17.

From 1st April 2015 Mrs J Davidson transitioned to membership of the Career Average Revalued Earnings (CARE) NHS Pension Scheme.

1 - Pension benefits from the CARE pension scheme and from Mrs Davidson's membership of the 1995 NHS Scheme have been consolidated in this report. The CARE pension scheme does not accrue lump sum benefits.

2 - Dr T Patterson opted out of the NHS Pension Scheme on 31st May 2016, CETV relate to the cumulative pension values prior to the opt out date.

3 - Mrs C Pearce was appointed as Nursing & Midwifery Director from 1st May 2017, CETV figures relate from the date of appointment.

4 - Mrs N Berry was appointed as Interim Nursing and Midwifery Director from 1st - 30th April 2017, no additional remuneration was received by Mrs Berry for this period and from 1st May 2018 Mrs Berry resumed her duties as Associate Director of Nursing.

From 1st April 2015 Mrs J Smyth transitioned to membership of the Career Average Revalued Earnings (CARE) NHS Pension Scheme. Pension benefits from the CARE pension scheme and from Mrs Smyth's membership of the 1995 NHS Scheme have been consolidated in this report. The CARE pension scheme does not accrue lump sum benefits.

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BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

FOR THE YEAR ENDED 31 MARCH 2017

	Salary (Bands of £5,000) £'000	Benefits in kind £'000	Performance Related Bonus (Bands of £5,000) £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits (Bands of £1,000)** £'000	Total Remuneration (Bands of £5,000) £'000	Note
Remuneration of:							
Executive Members							
Chief Executive: Mrs J Davidson	110-115	*	*	110-115	28	140-145	
Interim Joint Director of Public Health: Dr T Patterson	165-170	2.7	*	165-170	*	165-170	1&2
Director of Finance: Mrs C Gillie	75-80	2.9	*	80-85	5	85-90	
Medical Director: Dr A Murray (to 13th February 2017)	150-155	*	*	150-155	99	250-255	3
Medical Director: Dr C Sharp (from 14th February 2017)	20-25	*	*	20-25	25	45-50	4
Nursing, Midwifery & Acute Services Director: Mrs E Rodger	90-95	*	*	90-95	6	95-100	
Workforce & Planning Director: Mrs J Smyth	75-80	2.5	*	75-80	21	100-105	
Non Executive Members							
Chair - Mr J Raine	30-35	*	*	30-35	*	30-35	
Mrs P Alexander	5-10	*	*	5-10	*	5-10	
Mrs C Bhatia	5-10	*	*	5-10	*	5-10	
Mr D Davidson	10-15	*	*	10-15	*	10-15	
Mrs K Hamilton	5-10	*	*	5-10	*	5-10	
Dr S Mather	5-10	*	*	5-10	*	5-10	
Mrs K McNicoll (to 2nd August 2016)	0-5	*	*	0-5	*	0-5	5
Dr D Steele	5-10	*	*	5-10	*	5-10	
Mrs A Wilson (from 1st August 2016)	0-5	*	*	0-5	*	0-5	6
Employee Director :Mr J McLaren	40-45	*	*	40-45	5	45-50	7
Total			8.1		189		

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

NOTES TO THE 2016/17 BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION REPORT

**In accordance with the Financial Reporting Manual (FRm) and the Companies Act, NHS Borders has detailed 'pension benefits' within its Remuneration Report. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

The Board Members and Senior Employees Remuneration Report details all ministerial appointments made to the Board of NHS Borders and includes where interim arrangements have been made in year to cover the Executive Director portfolio during periods of recruitment.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2016-17.

- 1 - The post of Director of Public Health was appointed jointly by NHS Borders and the Local Authority, Scottish Borders Council. Scottish Borders Council financially contribute £50,000 per annum towards the Salary & Pension Contributions costs of the post.
- 2 - Dr T Patterson opted out of the NHS Pension Scheme on 31st May 2016 and as a result did not receive any pension benefit in 2016/17.
- 3 - Dr A Murray left NHS Borders employment on 13th February 2017. Full year equivalent salary costs for 2016/17 are £175k-£180k . Pension benefit information relates for the year to the date of termination.
- 4 - Dr C Sharp was appointed as Medical Director from 14th February 2017, full year equivalent salary costs for 2016/17 would have been £195k-£200k. Pension benefit information relates from the date of appointment.
- 5 - Mrs McNicoll does not receive personal remuneration in relation to this appointment, Mrs McNicoll's Clinical Directorate receives funding equivalent to the remuneration level to enable a time release of Mrs McNicoll to fulfil Non Executive duties.
- 6 - Mrs Wilson does not receive personal remuneration in relation to this appointment, Mrs Wilson's Directorate receives funding equivalent to the remuneration level to enable a time release of Mrs Wilson to fulfil Non Executive duties.
- 7 - Mr J McLaren is employed as a Non Executive Director of NHS Borders Board for one day per week and by NHS Borders as Employee Director for 4 days per week.

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

BOARD MEMBERS AND SENIOR EMPLOYEES PENSION VALUES

FOR THE YEAR ENDED 31 MARCH 2017

	Real increase in pension At age 60 (Bands of £2,500) £'000	Total accrued pension at age 60 at 31 March (Bands of £5,000) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2016 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000	Real increase in CETV in year £'000	Note
Remuneration of:						
Executive Members						
Chief Executive: Mrs J Davidson	0-2.5*	35-40*	586	630	44	1
	0-2.5#	90-95#				
Interim Joint Director of Public Health: Dr T Patterson	0*	65-70*	1439	1472	33	2
	0#	195-200#				
Director of Finance: Mrs C Gillie	0-2.5*	30-35*	610	641	20	
	0-2.5#	90-95#				
Medical Director: Dr A Murray (to 13th February 2017)	5-7.5*	50-55*	886	998	112	3
	7.5-10#	145-150#				
Medical Director - Dr C Sharp (from 14th February 2017)	7.5-10*	40-45*	701	881	160	4
	22.5-25#	125-130#				
Nursing, Midwifery & Acute Services Director: Mrs E Rodger	0-2.5*	35-40*	720	756	24	
	0-2.5#	110-115#				
Workforce & Planning Director: Mrs J Smyth	0-2.5*	15-20*	225	249	24	5
	0-2.5#	40-45#				
Non Executive Members						
Chair - Mr J Raine	*	*	*	*	*	
Mrs P Alexander	*	*	*	*	*	
Mrs C Bhatia	*	*	*	*	*	
Mr D Davidson	*	*	*	*	*	
Mrs K Hamilton	*	*	*	*	*	
Dr S Mather	*	*	*	*	*	
Mrs K McNicoll (to 2nd August 2016)	*	*	*	*	*	
Dr D Steele	*	*	*	*	*	
Mrs A Wilson (from 1st August 2016)	*	*	*	*	*	
Employee Director :Mr J McLaren	0-2.5*	5-10*	151	162	8	
	0-2.5#	25-30#				
Total			5318	5789	425	

* An entry suffixed with * indicates this figure relates to pension only

An entry suffixed with # indicates this figure relates to lump sum only

NOTES TO THE 2016/17 BOARD MEMBERS AND SENIOR EMPLOYEES PENSION VALUES

The Cash Equivalent Calculator used to calculate the above figures is obtained from the Scottish Public Pensions Agency and is updated for the NHS Pension scheme factors as advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the 'CETV at start of period' for 2016/17 can be different from the 'CETV at end of period' reported for 2015/16.

From 1st April 2015 Mrs J Davidson transitioned to membership of the Career Average Revalued Earnings (CARE) NHS Pension Scheme.

- 1 - Pension benefits from the CARE pension scheme and from Mrs Davidson's membership of the 1995 NHS Scheme have been consolidated in this report. The CARE pension scheme does not accrue lump sum benefits.

- 2- Dr T Patterson opted out of the NHS Pension Scheme on 31st May 2016, CETV relate to the cumulative pension values prior to the opt out date.

- 3 - Dr A Murray left NHS Borders employment from 13th February 2017, CETV figures relate to the date of termination.

- 4 - Dr C Sharp was appointed as Medical Director from 14th February 2017, CETV figures relate from the date of appointment.

- 5 - From 1st April 2015 Mrs J Smyth transitioned to membership of the Career Average Revalued Earnings (CARE) NHS Pension Scheme. Pension benefits from the CARE pension scheme and from Mrs Smyth's membership of the 1995 NHS Scheme have been consolidated in this report. The CARE pension scheme does not accrue lump sum benefits.

REMUNERATION AND STAFF REPORT**b) Staff Report**

The following tables and supporting narrative have been included to provide further analysis and definition to the staff cost figures and whole time equivalent/staff in post numbers which have been included in the Board's Annual Report and Accounts.

a) Staff Numbers and Costs

Total staff costs for the year to 31st March 2018 were £119.340m (2017: £120.373m) an analysis of these costs are detailed below:

	Executive Board £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2018 Total £000	2017 Total £000
STAFF COSTS								
Salaries and wages	725	87	96,721	0	0	(581)	96,953	*95,243
Social security costs	93	4	6,616	0	0	(66)	6,647	*7,386
NHS scheme employers' costs	79	0	12,765	0	0	(76)	12,768	12,628
Other employers' pension costs	0	0	0	0	0	0	0	0
Secondees	0	0	0	187	0	0	187	50
Agency staff	0	0	0	0	2,785	0	2,785	5,067
Total	897	91	116,102	187	2,785	(723)	119,340	120,373
Included in the total staff costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							0	65
STAFF NUMBERS								
Whole time equivalent (WTE)	6.3	6.3	2731.4	2.4	20.8	(13.3)	2753.9	2,750.3
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							0	2
Included in the total staff number above were disabled staff of:							20	16
Included in the total staff numbers above were Special Advisers of:							0	0

*A total of £1.699m Employees NI costs for 2016/17 have been recategorised to salaries and wages costs.

REMUNERATION AND STAFF REPORT**b) Staff Report (continued)****b) Higher Paid Employees – analysis of employees whose earnings are greater than £70,000**

Employees whose remuneration fell within the following ranges	2018 Numbers	2017 Numbers
Clinicians		
£70,001 to £80,000	17	16
£80,001 to £90,000	22	11
£90,001 to £100,000	15	17
£100,001 to £110,000	20	17
£110,001 to £120,000	10	11
£120,001 to £130,000	9	7
£130,001 to £140,000	6	5
£140,001 to £150,000	8	5
£150,001 to £160,000	2	7
£160,001 to £170,000	5	4
£170,001 to £180,000	1	4
£180,001 to £190,000	1	-
£190,001 to £200,000	-	-
£200,001 and above	-	-
Other		
£70,001 to £80,000	6	3
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	-	-
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	-
£190,001 to £200,000	-	-
£200,001 and above	-	-

REMUNERATION AND STAFF REPORT**b) Staff Report (continued)****c) Remuneration Report - analysis of Board Members and those Senior Employees who hold executive posts by band**

The following table provides analysis by total earnings banding for all Board Members and Senior Employees who hold executive posts as disclosed on the Remuneration Report (pgs 44-54).

TABLE 1 – TOTAL EARNINGS

Total Earnings (in bands of £5,000)	2018 Total Headcount	2017 Total Headcount
190-195	1	-
170-175	1	-
165-170	-	1
150-155	-	1
115-120	1	-
110-115	-	1
90-95	-	1
85-90	1	-
80-85	2	1
75-80	-	1
40-45	1	1
30-35	1	1
20-25	-	1
10-15	-	1
5-10	8	5
0-5	2	2
Total	18	17

REMUNERATION AND STAFF REPORT**b) Staff Report (continued)****d) Remuneration Report - analysis of Board Members and those Senior Employees who hold executive posts by band**

The following table provides analysis by total remuneration bandings for all Board Members and Senior Employees who hold executive posts as disclosed on the Remuneration Report (pgs 44-54).

TABLE 2 – TOTAL REMUNERATION

Total Remuneration (in bands of £5,000)	2018 Total Headcount	2017 Total Headcount
250-255	-	1
190-195	1	-
180-185	1	-
170-175	1	-
165-170	-	1
140-145	-	1
100-105	1	1
95-100	-	1
85-90	1	1
80-85	1	-
45-50	-	2
40-45	1	-
30-35	1	1
10-15	-	1
5-10	8	5
0-5	2	2
Total	18	17

d) Remuneration Report - analysis of Board Members and Senior Employees who hold executive posts by band (cont)

Table 2 above relates to total remuneration as required by the Financial Reporting Manual (FRM) and the Companies Act. Total remuneration includes details of 'pension benefits' as defined by the Treasury Employee Pension Note 380. Total earnings detailed in the Remuneration Report are those paid in the year with total remuneration being the notional sum inclusive of the EPN 380 pension benefit calculation. The total remuneration calculation aims to bring public bodies in line with other industries in disclosing an assessment of cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

REMUNERATION AND STAFF REPORT**b) Staff Report (continued)****e) Staff numbers**

The following table provides analysis by whole time equivalent and headcount for all staff paid by the Board during 2017/18 and prior year 2016/17.

STAFF NUMBERS	WTE 2018 Annual Mean	WTE 2017 Annual Mean	Headcount 2018 Annual Mean	Headcount 2017 Annual Mean
Administration Costs (Note 6)	28.1	27.8	33	33
Hospital & Community Services (Note 3)	2649.66	2642.54	4501	4490
Non Clinical Services (Note 7)	76.1	80.0	104	105
Board Total Average Staff	2753.86	2750.34	4638	4628
Permanent Staff	2451.76	2438.05	3164	3234
Staff with Short Term Contract	186.2	184.9	445	443
Bank Staff	106	97.19	1041	959
Inward Secondees	2.4	1.5	4	4
Agency Staff*	20.8	37.2	-	-
Outward Secondees	(13.3)	(8.50)	-16	(12)
Board Total Average Staff	2753.86	2750.34	4638	4628
Disabled Staff (Declared)	20.2	15.8	45	28
Special Advisers		-		-
WTE engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	-	1.3	-	2

*Expenditure incurred on Agency Staff during 2017/18 was reported as £2.785m (2016: £5.076m). Medical Agency staff costs significantly decreased in year to £0.967m (2016: £3.220m). Nursing Agency costs increased in year to a total of £1.238m (2016: £1.076m)

f) Staff Composition

The following table details the total headcount of staff in post by gender as at 31st March.

	2018			2017		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	4	6	2	3	5
Non-Executive Directors and Employee Director	7	2	9	4	5	9
Senior Employees (other)	2	2	4	3	1	4
Other	797	3527	4324	773	3375	4148
Total Headcount	808	3535	4343	782	3384	4166

REMUNERATION AND STAFF REPORT**b) Staff Report (continued)****g) Sickness absence data**

NHS Borders recorded the following sickness absence rate across all staff.

	2018	2017
Sickness Absence Rate	5.3%	4.9%

h) Staff policies applied during the financial year relating to the employment of disabled persons.

All health boards across NHS Scotland are required to comply with the three aims of the Public Sector General Duty, Equality Act (2010) and (Specific Duties) (Scotland) Regulations 2012, outlined below. The implementation of these legal duties will be monitored by the Equality and Human Rights Commission in Scotland.

The purpose of the Public Sector General Equality Duty is to ensure that all public bodies, including health boards, mainstream equality into their day to day business by proactively advancing equality, encouraging good community relations and addressing discrimination. The current duty requires equality to be considered in relation to key health board functions including the development of internal and external policies, decision making processes, procurement, workforce support, service delivery and improving outcomes for patients/service users.

The Board operates in line with the agreed Human Resources (HR) Policy entitled 'Equal Opportunities' which in a broader context sets out the Board's commitment to equality of opportunity. The Policy notes the requirements of management and staff in this area and specifically notes that:

- NHS Borders must demonstrate, through application of the policy that they are working within the current legal framework to recruit, develop and retain a workforce that is able to deliver high quality services that are fair, accessible, appropriate and responsive to the needs of the local community.
- NHS Borders is committed to ensuring the elimination of all forms of discrimination on the basis of age, culture, disability, employment status, ethnic origin, faith, gender, gender reassignment, HIV status, marital status, nationality, offending record, political affiliation or trade union membership, race, religion, sexual orientation or social background.

i) Exit Packages

No exit packages were agreed in NHS Borders in 2017/18. One exit package in the range, £10k - £25k, was agreed in Financial Year 2016/17.

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

REMUNERATION AND STAFF REPORT

b) Staff Report (continued)

j) Compensation Payments

NHS Borders did not make any compensation payments to former senior managers in Financial Years 2017/18 or 2016/17.

PARLIAMENTARY ACCOUNTABILITY REPORT

NHS Borders is required to report against the elements of the Parliamentary Accountability Report including Losses and Special Payments and Fees and Charges.

Losses and Special Payments

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts.

The Board has not approved any write off of losses and special payments during 2017/18 or in the prior year 2016/17 and includes the following nil disclosure for information.

	2017/18		2016/17	
	No of cases	£000	No of Cases	£000
Claims Abandoned	0	Nil	0	Nil
Stores Losses : deterioration	0	Nil	0	Nil
Damage to buildings and fixtures	0	Nil	0	Nil
Total	0	Nil	0	Nil

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Borders charges for services provided on a full costs basis, wherever applicable. The Parliamentary Accountability Report requires disclosure where fees and charges for services have a full annual cost of £1m or more. NHS Borders notes a nil disclosure for 2017/18 and in the prior year 2016/17 for this section of the report.

Signed



28 June 2018

Chief Executive and Accountable Officer

INDEPENDENT AUDITOR'S REPORT

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice 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.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Borders Health Board and its group for the year ended 31 March 2018 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Statement of Consolidated Financial Position, the Statement of Consolidated Cashflows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2018 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to the going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT (continued)**Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income**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.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Gillian Woolman MA FCA CPFA
Assistant Director (Audit Services)
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

28 June 2018

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

2017	Note	2018
£'000		£'000
120,372 Staff Costs	3	119,340
Other operating expenditure		
28,512 Independent Primary Care Services	3	29,296
44,580 Drugs and medical supplies	3	43,723
187,529 Other health care expenditure	3	194,218
380,993 Gross expenditure for the year		386,577
(140,426) Less: operating income	4	(145,289)
240,567 Net expenditure for the year		241,288

OTHER COMPREHENSIVE NET EXPENDITURE

2017	2018
£'000	£'000
(4,061) Net Gain on revaluation of Property Plant and Equipment	(4,071)
0 Net Gain on revaluation of available for sale financial assets	0
(4,061) Other Comprehensive Expenditure	(4,071)
236,506 Total Comprehensive Expenditure	237,217

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

The presentation of the Consolidated Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Borders. The comparative information in respect of 2016-17 has been presented above in the new format.

Comparative information in respect of 2016-17 has not been restated.

Full details of changes to the presentation of the Statement of Comprehensive Net Expenditure are disclosed in Note 20.

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

2017	NOTE	2018	2018
£'000 SUMMARY OF CORE REVENUE RESOURCE OUTTURN		£'000	£'000
240,567 Net Operating Costs			241,288
(10,516) Total Non Core Expenditure (see below)			(7,972)
(10,061) FHS Non Discretionary Allocation			(10,191)
234 Donated Assets Income			173
292 Endowment Net Movement in Funds			587
0 Associates and joint ventures accounted for on an equity basis	25a		0
220,516 Total Core Expenditure			223,885
220,580 Core Revenue Resource Limit			223,926
64 Saving against Core Revenue Resource Limit			<u><u>41</u></u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

0 Capital Grants to / (from) Other Bodies		0	
3,695 Depreciation/Amortisation		3,939	
631 Annually Managed Expenditure - Impairments		1,092	
5,973 Annually Managed Expenditure - Creation of Provisions		1,375	
217 Annually Managed Expenditure - Depreciation of Donated Assets		200	
Additional SGHSCD non-core funding		1,366	
10,516 Total Non Core Expenditure			7,972
10,516 Non Core Revenue Resource Limit			7,972
0 Saving/(excess) against Non Core Revenue Resource Limit			<u><u>0</u></u>

SUMMARY RESOURCE OUTTURN

	Resource	Expenditure	Saving /(Excess)
	£'000	£'000	£'000
Core	223,926	223,885	41
Non Core	7,972	7,972	0
Total	<u><u>231,898</u></u>	<u><u>231,857</u></u>	<u><u>41</u></u>

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

Board 2017 £000	Consolidated 2017 £'000		Note	Board 2018 £'000	Consolidated 2018 £'000
		Non-current assets:			
123,059	123,059	Property, plant and equipment	7c	126,895	126,895
1,134	1,134	Intangible assets	6	1,830	1,830
		Financial assets:			
0	3,553	Available for sale financial assets	10	0	3,454
757	757	Trade and other receivables	9	982	982
<u>124,950</u>	<u>128,503</u>	Total non-current assets		<u>129,707</u>	<u>133,161</u>
		Current Assets:			
1,071	1,071	Inventories	8	1,189	1,189
		Financial assets:			
6,365	6,385	Trade and other receivables	9	6,513	6,539
192	1,392	Cash and cash equivalents	11	341	2,335
100	100	Assets classified as held for sale	7b	100	100
<u>7,728</u>	<u>8,948</u>	Total current assets		<u>8,143</u>	<u>10,163</u>
<u>132,678</u>	<u>137,451</u>	Total assets		<u>137,850</u>	<u>143,324</u>
		Current liabilities			
(3,086)	(3,086)	Provisions	13a	(2,364)	(2,364)
		Financial liabilities:			
(35,240)	(35,275)	Trade and other payables	12	(34,158)	(34,363)
<u>(38,326)</u>	<u>(38,361)</u>	Total current liabilities		<u>(36,522)</u>	<u>(36,727)</u>
<u>94,352</u>	<u>99,090</u>	Non-current assets (less) net current liabilities		<u>101,328</u>	<u>106,597</u>
		Non-current liabilities			
(8,444)	(8,444)	Provisions	13a	(10,426)	(10,426)
		Financial liabilities:			
(1,000)	(1,000)	Trade and other payables	12	(917)	(917)
<u>(9,444)</u>	<u>(9,444)</u>	Total non-current liabilities		<u>(11,343)</u>	<u>(11,343)</u>
<u>84,908</u>	<u>89,646</u>	Assets less liabilities		<u>89,985</u>	<u>95,254</u>
		Taxpayers' Equity			
37,757	37,757	General fund	SOCTE	42,207	42,207
47,151	47,151	Revaluation reserve	SOCTE	47,778	47,778
0	4,738	Fund held on Trust	SOCTE	0	5,269
<u>84,908</u>	<u>89,646</u>	Total taxpayers' equity		<u>89,985</u>	<u>95,254</u>

The financial statements on pages 65 to 69 were approved by the Board on 28 June 2018 and signed on their behalf by

 Director of Finance

 Chief Executive

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

STATEMENT OF CONSOLIDATED CASHFLOWS

2017		2018	2018
£'000	Note	£'000	£'000
Cash flows from operating activities			
(240,567)		(241,288)	
3,607		5,391	
333		340	
0		0	
0		0	
7,264		(304)	
(229,363)	25c		(235,861)
Cash flows from investing activities			
(4,996)		(4,903)	
234		174	
(31)		(949)	
(367)		(74)	
0		0	
329		116	
(4,831)	25c		(5,636)
Cash flows from financing activities			
234,777		242,708	
(81)		149	
234,696		242,857	
(77)		(77)	
(333)		(340)	
234,286	25c		242,440
92			943
1,300			1,392
1,392			2,335
Reconciliation of net cash flow to movement in net debt / cash			
92			943
1,300	11		1,392
1,392			2,335

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts

BORDERS HEALTH BOARD
ANNUAL REPORT AND ACCOUNTS 2017/18

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

CONSOLIDATED SOCTE

	Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2017		37,757	47,151	4,738	89,646
Restated balance at 1 April 2017		37,757	47,151	4,738	89,646
Changes in taxpayers' equity for 2017-18					
Net gain on revaluation / indexation of property, plant and equipment	7a	0	4,071		4,071
Net gain / (loss) on revaluation of available for sale financial assets	10	0	0	(56)	(56)
Impairment of property, plant and equipment	7a	0	(1,451)		(1,451)
Impairment of intangible assets	6	0	(31)		(31)
Revaluation & impairments taken to operating costs	2a	0	1,482		1,482
Transfers between reserves		3,444	(3,444)		0
Other non cash costs (Transfer of non current assets from other bodies)		173	0		173
Net operating cost for the year	CFS	(241,875)	0	587	(241,288)
Total recognised income and expense for 2017-18		(238,258)	627	531	(237,100)
Funding:					
Drawn down		242,857			242,857
Movement in General Fund Creditor	CFS	(149)	0		(149)
Balance at 31 March 2018	SOFP	42,207	47,778	5,269	95,254

CONSOLIDATED SOCTE (PRIOR YEAR)

	Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2016		42,600	44,095	3,958	90,653
Prior year adjustments for changes in accounting policy and material errors	22				
Restated balance at 1 April 2016		42,600	44,095	3,958	90,653
Changes in taxpayers' equity for 2016-17					
Net gain on revaluation/indexation of property, plant and equipment	7a		4,061		4,061
Net gain on revaluation of available for sale financial assets	10			488	488
Impairment of property, plant and equipment	7a				0
Revaluation & impairments taken to operating costs	2a				0
Transfers between reserves		1,005	(1,005)		0
Other non cash costs (Transfer of non current assets from other bodies)		234			234
Net operating cost for the year	CFS	(240,859)		292	(240,567)
Total recognised income and expense for 2015-16		(239,620)	3,056	780	(235,784)
Funding:					
Drawn down	CFS	234,696			234,696
Movement in General Fund Debtor	CFS	81			81
Balance at 31 March 2016	SOFP	37,757	47,151	4,738	89,646

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts

NOTES TO THE ACCOUNTS**1. ACCOUNTING POLICIES****1. Authority**

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 29 of this Accounting Policies note.

Disclosure of new accounting standards**(a) Standards, amendments and interpretations effective in current year**

- IAS 28, IFRS 10, Investment entities; applying the consolidation exception.

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

There are no new standard, amendments or interpretation effective for the first time this year.

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

The following standards have been issued but are not yet effective until 2018/19.

- IFRS 9 – Financial instruments
Includes a number of improvements to the previous IAS 39
 - a single approach to classification and measurement;
 - a new forward-looking ‘expected loss’ impairment model; and
 - a revised approach to hedge accounting

The default asset classification is Fair Value (FV) through profit or loss. Need to prepare business case to justify use of amortised cost.

For loans and receivables (amortised cost), including short-term trade receivables, every transaction carries some risk of default. The old IAS 39 presented a bad debt

1. Authority (continued)

when the loss was incurred, IFRS 9 states provision must be based on expected credit loss model and shown immediately. Expected Credit Loss (ECL) assessed using:

- past events, such as experience of historical losses for similar financial instruments
- current conditions; and
- reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

Financial Liabilities : there is no real change.

Financial Asset impairment : Provision for impairment must be made against financial assets using a three stage process. The impact will increase the bad debt provision (same as impairment of financial asset or a loss allowance).

- IFRS 16 – Leases (IAS 17 replacement);
IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after 1 January 2019. This means that for NHS Borders, the standard will be effective for the year ending 31 March 2020.

IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector, and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

- IFRS 15 – Revenue from Contracts with Customers
Introduces a new five stage model for assessing and recognising revenue from contracts with customers. It also introduces substantially greater disclosure requirements to address the shortcomings of the previous standards (IAS 1 and IAS 18).
- IAS 7 Statement of Cash Flows Disclosure Initiative
Additional disclosure requirements were added to IAS 7, to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities should be provided.

- IAS 12 – Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses
Requirement to recognise deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

2. Basis of Consolidation

In accordance with IAS 27 – Separate Financial Statements, the Financial Statements consolidate the Borders Health Board Endowment Fund known as "The Difference". Borders Health Board is a corporate trustee of "The Difference" 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.

"The Difference" 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 basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements include the additional disclosure required to accurately reflect the interest of IJBs using the equity method of accounting.

The IJB will act as principal in their own right. The Board's contributions and subsequent expenditure in delivering services are treated as distinct and separate from the commissioning income that will be received.

Note 25 (pgs 118-120) to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

A prior year adjustment has been actioned in the Remuneration and Staff Report (pg 55) to recategorise Employee National Insurance costs totalling £1.699m to salaries and wages. The recategorisation has not impacted on overall staff costs reported for 2016/17.

A prior year adjustment has been actioned to the Endowment Fund Financial Statements for 2016/17 to record the re-classification of a transfer between restricted funds which had previously been reported as an accounts payable entry. The adjustment has resulted in the level of Funds held on Trust increasing by £121k to £5,269m, as detailed on page 67.

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 a 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 (including derivative instruments) at fair value.

6. Funding

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

7. Property, plant and equipment (continued)

7.1 Recognition (continued)

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.

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.

7.2 Measurement

All assets that are not held for their service potential (i.e. investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. A full valuation exercise was completed as at 31st March 2015. 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 by applying appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

7. Property, plant and equipment (continued)

7.2 Measurement (continued)

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate valuation 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.

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value on existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset.

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 revaluation reserve is transferred to the General Fund.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Other Comprehensive Expenditure.

Temporary Decreases in Asset Value:

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.

7. Property, plant and equipment (continued)

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.

In 2017/18 a review of Asset Lives was performed by GVA, property advisor used by NHS Borders, who concluded that no amendments were required to the accounting policy. The Board is compliant with the agreed extended life depreciation policy with Scottish Government.

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 off-balance sheet 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. *Asset Lives for buildings, site services and surfacing are advised to the Board by the Property Advisor.

The following asset lives have been used:

Asset Category/Component	Useful Life
Buildings (including structure; engineering; and external plant)	8-70 years*
Site Services	10-90 years*
Surfacing	5-90 years*
Moveable engineering plant and equipment and long-life medical equipment	15 years
Furniture and medium-life medical equipment	10 years
Short to Medium Life Medical Equipment	7 years
Mainframe information technology installations	8 years
Vehicles and soft furnishings	5-10 years
Office, information technology, short-life medical and other equipment	5 years

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 classes of intangible assets recognised are:

Software:

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

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 revaluation reserve is transferred to the General Fund.

8. Intangible Assets

8.2 Measurement (continued)

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 operating cost statement on each main class of intangible asset as follows, NHS Borders have noted only amortisation principles where an intangible asset category exists:

- 1) Software licences - Amortised over the shorter term of the licence and their useful economic lives.
- 2) Software - Amortised over their expected useful life

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Application Software	5-10 years
Software Licences	5-10 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;

9. Non-current assets held for sale (continued)

- 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 Statement of Financial Position 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

12.1 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 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 terms so as to produce a constant periodic rate of interest on the remaining balance of the liability using the implicit interest rate. Finance charges are recorded as interest payable in the Statement of Comprehensive

12. Leasing (continued)

12.1 Finance leases (continued)

Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

12.2 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.

12.3 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 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

15. Inventories (continued)

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**17.1 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 in line with agreed policy.

17.2 Pension Costs

The Board participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and 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 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 four 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.

18. Clinical and Medical Negligence Costs (continued)

NHS Borders 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 those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

NHS Borders also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

19. Related Party Transactions

Material related party transactions are disclosed in the Note 23 (pg 116) in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3 (pg 90).

The Scottish Borders Integration Joint Board (IJB) is a legal entity in its own right which was created following the implementation of the Joint Working Public Bodies (Scotland) Act 2014. NHS Borders and the Scottish Borders Council have delegated some of their function to the IJB and the IJB is wholly responsible for carrying out these functions. NHS Borders has incurred costs of £126.507m for its contribution to the IJB.

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. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position 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.

22. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in Note 14 (pg 107) where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 14 (pg 107), 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.

23. 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.

24. Financial Instruments

24.1 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 Statement of Financial Position.

(c) Available-for-sale financial assets

24. Financial Instruments (continued)

24.1 Financial assets (continued)

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 Statement of Financial Position date. Available for sale financial assets comprise investments.

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 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 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

24. Financial Instruments (continued)

24.1 Financial assets (continued)

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 Statement of Financial Position 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.

24.2 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 Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

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

24. Financial Instruments (continued)

24.2 Financial Liabilities (continued)

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(b) Other financial liabilities

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

25. Segmental reporting

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

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

26. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Government Banking Service and balances held in commercial banks. The Board does not hold a bank overdraft facility.

27. 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 Statement of Financial Position 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

27. Foreign exchange (continued)

- 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 Statement of Financial Position 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.

28. 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 24 (pg 117) to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual (FRM).

29. Key sources of judgement and estimation uncertainty

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

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

Accruals: NHS Borders makes judgement, applies estimates and assumptions to the accrual of expenditure and income within the annual accounts. Specifically in areas of holiday pay, pay enhancement and the provision for bad debts. During 2017/18 NHS Borders has reviewed methodology relating to significant accrual balances held. Significant accruals held relate to business travel, carry forward of annual leave and income due for treatment provided as part of the procedure for Road Traffic Accidents (RTA).

Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency relating to former NHS Borders employees for whom NHS Borders have an on-going pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHD guidance.

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Borders.

29. Key sources of judgement and estimation uncertainty (continued)

The provision covers all claims classified as category 3 and category 2 which have been assessed as having a probability of settlement.

BORDERS HEALTH BOARD

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STATEMENT OF CONSOLIDATED CASHFLOWS

2. NOTES TO THE CASHFLOW STATEMENT

2a. Consolidated adjustments for non-cash transactions

2017 £'000		Note	2018 £'000
	Expenditure not paid in cash		
3,439	Depreciation	7a	3,660
185	Amortisation	6	222
217	Depreciation of donated assets	7a	200
0	Impairments on PPE charged to SoCNE		1,451
0	Impairments on intangibles assets charged to SoCNE	6	31
(234)	Funding of Donated Assets	7a	(173)
3,607	Total expenditure not paid in cash	CFS	5,391

2b. Interest payable recognised in operating expenditure

2017 £'000		Note	2018 £'000
	Interest payable		
0	Interest on late payment of commercial debt		0
0	Bank and other interest payable		0
0	PFI Finance lease charges allocated in the year		0
333	Other Finance lease charges allocated in the year		340
0	Provision - Unwinding of discount		0
333	Net interest payable	CFS	340

2c. Consolidated movements in working capital

2017 Net movement £'000		Note	Opening balances £'000	Closing balances £'000	2018 Net movement £'000
	INVENTORIES				
34	Balance Sheet	8	1,071	1,189	
34	Net decrease / (increase)				(118)
	TRADE AND OTHER RECEIVABLES				
1,965	Due within one year	9	6,385	6,539	
56	Due after more than one year	9	757	982	
			7,142	7,521	
2,021	Net decrease / (increase)				(379)
	TRADE AND OTHER PAYABLES				
(6)	Due within one year	12	35,275	34,363	
(79)	Due after more than one year	12	1,000	917	
81	Less: General Fund creditor included in above	12	(189)	(338)	
77	Less: lease and PFI creditors included in above	12	(1,046)	(969)	
			35,040	33,973	
73	Net decrease / (increase)				(1,067)
	PROVISIONS				
5,220	Statement of Financial Position	13a	11,530	12,790	
0	Transfer from provision to General Fund		0	0	
			11,530	12,790	
5,220	Net decrease / (increase)				1,260
7,348	Net movement (decrease) / increase	CFS			(304)

NOTES TO THE ACCOUNTS

3. OPERATING EXPENSES

3a. Staff Costs		Board	Consolidated
2017		2018	2018
£'000		£'000	£'000
		Note	
28,971	Medical and Dental	27,874	27,874
49,549	Nursing	50,123	50,123
41,852	Other Staff	41,343	41,343
120,372	Total Staff Costs	119,340	119,340

Further detail and analysis of employee costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

3b. Other operating expenditure		Board	Consolidated
2017		2018	2018
£'000		£'000	£'000
		Note	
Independent Primary Care Services			
17,207	General Medical Services	17,926	17,926
4,007	Pharmaceutical Services	3,971	3,971
5,603	General Dental Services	5,689	5,689
1,695	General Ophthalmic Services	1,710	1,710
28,512	Total independent primary care services	29,296	29,296
Drugs and medical supplies			
25,715	Prescribed drugs Primary Care	24,388	24,388
10,840	Prescribed drugs Secondary Care	11,566	11,566
8,025	Medical Supplies	7,769	7,769
44,580	Total drugs and medical supplies	43,723	43,723
Other health care expenditure			
123,398	Contribution to Integration Joint Boards	126,507	126,507
30,496	Goods and services from other NHSScotland bodies	31,323	31,323
833	Goods and services from other UK NHS bodies	742	742
3,695	Goods and services from private providers	3,044	3,044
333	Goods and services from voluntary organisations	354	354
2,629	Resource Transfer	2,653	2,653
0	Loss on disposal of assets	0	0
25,318	Other operating expenses	28,807	28,807
129	External Auditor's remuneration - statutory audit fee	123	123
698	Endowment Fund expenditure	0	665
187,529	Total other health care expenditure	193,553	194,218
260,621	Total Other Operating Expenditure	266,572	267,237

NOTES TO THE ACCOUNTS

4. OPERATING INCOME

2017 £'000	Note	Board 2018 £'000	Consolidated 2018 £'000
0		0	0
8,000		7,462	7,462
2,090		2,702	2,702
2		1	1
123,398		126,507	126,507
1,573		1,454	1,454
0		0	0
0		0	0
0		0	0
0	CFS	0	0
Non NHS:			
0		14	14
0		0	0
990		0	1,252
4,373		5,897	5,897
140,426	SoCNE	144,037	145,289

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NOTES TO THE ACCOUNTS

5. SEGMENTAL INFORMATION

Segmental Analysis provided is in line with the Board Reporting Structure and in the form reported to Internal Management.

2017-18						
	Clinical Executive £'000	Family Health Services £'000	Commissioning of Healthcare £'000	Central & Support Costs £'000	The Difference £'000	Total £'000
Net operating cost 2017-18	145,252	52,152	25,873	18,598	(587)	241,288
2016-17						
	Clinical Executive £'000	Family Health Services £'000	Commissioning of Healthcare £'000	Central & Support Costs £'000	The Difference £'000	Total £'000
Net operating cost 2016-17	142,357	51,017	27,635	19,850	(292)	240,567

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NOTES TO THE ACCOUNTS

6. INTANGIBLE ASSETS - CONSOLIDATED

	Note	Software Licences £'000	IT - software £'000	Assets Under Development £'000	Total £'000
Cost or Valuation					
As at 1st April 2017		352	1,719	82	2,153
Additions		0	932	17	949
Completions		0	51	(51)	0
Impairment charges		0	0	(31)	(31)
At 31st March 2018		352	2,702	17	3,071
Amortisation					
As at 1st April 2017		308	711	0	1,019
Provided during the year		14	208	0	222
Transfers		0	0	0	0
At 31st March 2018		322	919	0	1,241
Net Book Value at 1st April 2017		44	1,008	82	1,134
Net Book Value at 31st March 2018	SoFP	30	1,783	17	1,830

INTANGIBLE ASSETS - BOARD

	Note	Software Licences £'000	IT - software £'000	Assets Under Development £'000	Total £'000
Cost or Valuation					
As at 1st April 2017		352	1,719	82	2,153
Additions		0	932	17	949
Completions		0	51	(51)	0
Impairment charges		0	0	(31)	(31)
At 31st March 2018		352	2,702	17	3,071
Amortisation					
As at 1st April 2017		308	711	0	1,019
Provided during the year		14	208	0	222
Transfers		0	0	0	0
At 31st March 2018		322	919	0	1,241
Net Book Value at 1st April 2017		44	1,008	82	1,134
Net Book Value at 31st March 2018	SoFP	30	1,783	17	1,830

INTANGIBLE ASSETS - CONSOLIDATED PRIOR YEAR

	Note	Software Licences £'000	IT - software £'000	Assets Under Development £'000	Total £'000
Cost or Valuation					
As at 1st April 2017		352	1,688	82	2,122
Additions		0	31	0	31
Completions		0	0	0	0
Impairment charges		0	0	0	0
At 31st March 2018		352	1,719	82	2,153
Amortisation					
As at 1st April 2017		295	539	0	834
Provided during the year		13	172	0	185
Transfers		0	0	0	0
At 31st March 2018		308	711	0	1,019
Net Book Value at 1st April 2016		57	1,149	82	1,288
Net Book Value at 31st March 2017	SoFP	44	1,008	82	1,134

INTANGIBLE ASSETS - BOARD PRIOR YEAR

	Note	Software Licences £'000	IT - software £'000	Assets Under Development £'000	Total £'000
Cost or Valuation					
As at 1st April 2017		352	1,688	82	2,122
Additions		0	31	0	31
Completions		0	0	0	0
Impairment charges		0	0	0	0
At 31st March 2018		352	1,719	82	2,153
Amortisation					
As at 1st April 2017		295	539	0	834
Provided during the year		13	172	0	185
Transfers		0	0	0	0
At 31st March 2018		308	711	0	1,019
Net Book Value at 1st April 2016		57	1,149	82	1,288
Net Book Value at 31st March 2017	SoFP	44	1,008	82	1,134

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NOTES TO THE ACCOUNTS

7a. PROPERTY, PLANT AND EQUIPEMENT - CONSOLIDATED

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation									
As at 1st April 2017		4,533	120,351	1,702	22,020	4,606	862	4,775	158,849
Additions - purchased		0	20	13	1,529	2,210	0	1,131	4,903
Additions - donated		0	0	0	88	0	0	87	173
Completions		0	4,769	0	647	0	0	(5,416)	0
Revaluations		0	4,378	0	0	0	0	0	4,378
Impairment charges		(3)	(1,092)	0	0	0	0	(356)	(1,451)
Disposals - purchased		0	0	0	0	0	0	0	0
Disposals - donated		0	0	0	0	0	0	0	0
At 31st March 2018		4,530	128,426	1,715	24,282	6,816	862	221	166,852
Depreciation									
As at 1st April 2017		0	11,311	1,471	18,102	4,132	774	0	35,790
Provided during the year - purchased		0	2,614	70	760	189	27	0	3,660
Provided during the year - donated		0	122	0	78	0	0	0	200
Transfers (to)/from non-current assets held for sale		0	0	0	0	0	0	0	0
Revaluations		0	307	0	0	0	0	0	307
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	0	0	0	0	0
Disposals - donated		0	0	0	0	0	0	0	0
At 31st March 2018		0	14,354	1,541	18,940	4,321	801	0	39,957
Net Book Value at 1st April 2017		4,533	109,040	231	3,918	474	88	4,775	123,059
Net Book Value at 31st March 2018	SoFP	4,530	114,072	174	5,342	2,495	61	221	126,895
Open Market value of Land in Land and Dwellings included above		4,530							
Asset financing:									
Owned - purchased		4,520	107,345	174	5,087	2,495	57	134	119,812
Owned - donated		10	5,966	0	255	0	4	87	6,322
Finance Lease		0	761	0	0	0	0	0	761
Net Book Value at 31st March 2018	SoFP	4,530	114,072	174	5,342	2,495	61	221	126,895

7a. PROPERTY, PLANT AND EQUIPEMENT - BOARD

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation									
As at 1st April 2017		4,533	120,351	1,702	22,020	4,606	862	4,775	158,849
Additions - purchased		0	20	13	1,529	2,210	0	1,131	4,903
Additions - donated		0	0	0	88	0	0	87	173
Completions		0	4,769	0	647	0	0	(5,416)	0
Revaluations		0	4,378	0	0	0	0	0	4,378
Impairment charges		(3)	(1,092)	0	0	0	0	(356)	(1,451)
Disposals - purchased		0	0	0	0	0	0	0	0
Disposals - donated		0	0	0	0	0	0	0	0
At 31st March 2018		4,530	128,426	1,715	24,282	6,816	862	221	166,852
Depreciation									
As at 1st April 2017		0	11,311	1,471	18,102	4,132	774	0	35,790
Provided during the year - purchased		0	2,614	70	760	189	27	0	3,660
Provided during the year - donated		0	122	0	78	0	0	0	200
Transfers (to)/from non-current assets held for sale		0	0	0	0	0	0	0	0
Revaluations		0	307	0	0	0	0	0	307
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	0	0	0	0	0
Disposals - donated		0	0	0	0	0	0	0	0
At 31st March 2018		0	14,354	1,541	18,940	4,321	801	0	39,957
Net Book Value at 1st April 2017		4,533	109,040	231	3,918	474	88	4,775	123,059
Net Book Value at 31st March 2018	SoFP	4,530	114,072	174	5,342	2,495	61	221	126,895
Open Market value of Land in Land and Dwellings included above		4,530							
Asset financing:									
Owned - purchased		4,520	107,345	174	5,087	2,495	57	134	119,812
Owned - donated		10	5,966	0	255	0	4	87	6,322
Finance Lease		0	761	0	0	0	0	0	761
Net Book Value at 31st March 2018	SoFP	4,530	114,072	174	5,342	2,495	61	221	126,895

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NOTES TO THE ACCOUNTS

7a. PROPERTY, PLANT AND EQUIPEMENT - PRIOR YEAR CONSOLIDATED

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1st April 2016		4,533	115,932	1,651	20,401	4,236	862	847	148,462
Additions - purchased		0	145	51	502	370	0	3,926	4,996
Additions - donated		0	213	0	21	0	0	0	234
Completions		0	0	0	0	0	0	0	0
Revaluations		0	4,061	0	0	0	0	0	4,061
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	979	0	0	0	979
Disposals - donated		0	0	0	117	0	0	0	117
At 31st March 2017		4,533	120,351	1,702	22,020	4,606	862	4,775	158,849
Depreciation									
As at 1st April 2017		0	8,792	1,403	16,117	3,984	742	0	31,038
Provided during the year - purchased		0	2,403	68	789	148	31	0	3,439
Provided during the year - donated		0	116	0	100	0	1	0	217
Transfers (to)/from non-current assets held for sale		0	0	0	0	0	0	0	0
Revaluations		0	0	0	0	0	0	0	0
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	979	0	0	0	979
Disposals - donated		0	0	0	117	0	0	0	117
At 31st March 2017		0	11,311	1,471	18,102	4,132	774	0	35,790
Net Book Value at 1st April 2017		4,533	107,140	248	4,284	262	120	847	117,424
Net Book Value at 31st March 2018	SoFP	4,533	109,040	231	3,918	474	88	4,775	123,059
Open Market value of Land in Land and Dwellings included above		4,533							
Asset financing:									
Owned - purchased		4,523	102,349	231	3,671	474	84	4,775	116,107
Owned - donated		10	5,858	0	247	0	4	0	6,119
Finance Lease		0	833	0	0	0	0	0	833
Net Book Value at 31st March 2018	SoFP	4,533	120,351	231	3,918	474	88	4,775	123,059

7a. PROPERTY, PLANT AND EQUIPEMENT - PRIOR YEAR BOARD

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1st April 2017		4,533	115,932	1,651	20,401	4,236	862	847	148,462
Additions - purchased		0	145	51	502	370	0	3,926	4,996
Additions - donated		0	213	0	21	0	0	0	234
Completions		0	0	0	0	0	0	0	0
Revaluations		0	4,061	0	0	0	0	0	4,061
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	979	0	0	0	979
Disposals - donated		0	0	0	117	0	0	0	117
At 31st March 2018		4,533	120,351	1,702	22,020	4,606	862	4,775	158,849
Depreciation									
As at 1st April 2017		0	8,792	1,403	16,117	3,984	742	0	31,038
Provided during the year - purchased		0	2,403	68	789	148	31	0	3,439
Provided during the year - donated		0	116	0	100	0	1	0	217
Transfers (to)/from non-current assets held for sale		0	0	0	0	0	0	0	0
Revaluations		0	0	0	0	0	0	0	0
Impairment charges		0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	979	0	0	0	979
Disposals - donated		0	0	0	117	0	0	0	117
At 31st March 2018		0	11,311	1,471	18,102	4,132	774	0	35,790
Net Book Value at 1st April 2017		4,533	107,140	248	4,284	252	120	847	117,424
Net Book Value at 31st March 2018	SoFP	4,533	109,040	231	3,918	474	88	4,775	123,059
Open Market value of Land in Land and Dwellings included above		4,533							
Asset financing:									
Owned - purchased		4,523	102,349	231	3,671	474	84	4,775	116,107
Owned - donated		10	5,858	0	247	0	4	0	6,119
Finance Lease		0	833	0	0	0	0	0	833
Net Book Value at 31st March 2018	SoFP	4,533	109,040	231	3,918	474	88	4,775	123,059

NOTES TO THE ACCOUNTS

7b. ASSETS HELD FOR SALE

The following asset related to NHS Borders has been presented as held for sale following approval for sale by the management of the Board. The completed date for the sale of Orchard Park, St Boswell, is expected to be within the 12 months from the 31st March 2018. No assets were disposed of in Financial Year 2017/18.

ASSETS HELD FOR SALE - CONSOLIDATED

	Property, Plant & Equipment	Total
Note	£'000	£'000
As at 1st April 2017	100	100
Transfers (to)/from property, plant and equipment	0	0
Gains or losses recognised on remeasurement of non-current assets	0	0
Disposals of non-current assets held for sale	0	0
At 31 March 2018	100	100

ASSETS HELD FOR SALE - BOARD

	Property, Plant & Equipment	Total
Note	£'000	£'000
As at 1st April 2017	100	100
Transfers (to)/from property, plant and equipment	0	0
Gains or losses recognised on remeasurement of non-current assets	0	0
Disposals of non-current assets held for sale	0	0
At 31 March 2018	100	100

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment	Total
Note	£'000	£'000
As at 1st April 2016	100	100
Transfers (to)/from property, plant and equipment	0	0
Gains or losses recognised on remeasurement of non-current assets	0	0
Disposals of non-current assets held for sale	0	0
At 31 March 2017	100	100

ASSETS HELD FOR SALE (PRIOR YEAR) - BOARD

	Property, Plant & Equipment	Total
Note	£'000	£'000
As at 1st April 2016	100	100
Transfers (to)/from property, plant and equipment	0	0
Gains or losses recognised on remeasurement of non-current assets	0	0
Disposals of non-current assets held for sale	0	0
At 31 March 2017	100	100

NOTES TO THE ACCOUNTS

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Board 2017 £'000	Consolidated 2017 £'000		Board 2018 £'000	Consolidated 2018 £'000
Net book value of property, plant and equipment at 31 March				
116,940	116,940	Purchased	120,573	120,573
6,119	6,119	Donated	6,322	6,322
123,059	123,059	Total	126,895	126,895
Total value of assets held under:				
833	833	Finance Leases	761	761
833	833		761	761
Total depreciation charged in respect of assets held under:				
1,475	1,475	Finance Leases	1,552	1,552
1,475	1,475		1,552	1,552

Indexation has been applied to the Property assets as advised to the Board by an independent valuer, GVA James Barr. The level of indexation applied reflects a blended rate between BCIS details for cost and tender pricing together with wider market trends. Land has been noted as not being impacted by any significant change in market conditions and therefore no indexation has been applied to Land Assets. Property is held at fair value (market value or discounted replacement cost where appropriate).

The net impact of applying the indexation 4% was an increase in value of £4.071m over Property Assets (Owned and Donated), the indexation sum of £4.071m was transacted to the Board's revaluation reserve.

NOTES TO THE ACCOUNTS

7d. ANALYSIS OF CAPITAL EXPENDITURE

Board 2017 £'000	Consolidated 2017 £'000		Note	Board 2018 £'000	Consolidated 2018 £'000
Expenditure					
31	31	Acquisition of intangible assets	6	949	949
4,996	4,996	Acquisition of property, plant and equipment	7a	4,903	4,903
234	234	Donated asset additions	7a	173	173
<u>5,261</u>	<u>5,261</u>	Gross Capital Expenditure		<u>6,025</u>	<u>6,025</u>
Income					
0	0	Value of disposal of non-current assets held for sale		0	0
234	234	Donated asset income		173	173
<u>234</u>	<u>234</u>	Capital Income		<u>173</u>	<u>173</u>
<u>5,027</u>	<u>5,027</u>	Net Capital Expenditure		<u>5,852</u>	<u>5,852</u>

SUMMARY OF CAPITAL RESOURCE OUTTURN

5,027	5,027	Core capital expenditure included above	5,852	5,852
5,034	5,034	Core Capital Resource Limit	5,859	5,859
<u>7</u>	<u>7</u>	Saving/(excess) against Total Capital Resource Limit	<u>7</u>	<u>7</u>

NOTES TO THE ACCOUNTS

8. INVENTORIES

Board	Consolidated	
2017	2017	
£'000	£'000	
1,071	1,071	Finished goods
<u>1,071</u>	<u>1,071</u>	Total inventories

Board	Consolidated	
2018	2018	
£'000	£'000	
1,189	1,189	
<u>1,189</u>	<u>1,189</u>	

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NOTES TO THE ACCOUNTS

9. TRADE AND OTHER RECEIVABLES

Board 2017 £'000	Consolidated 2017 £'000		Board 2018 £'000	Consolidated 2018 £'000
		Receivables due within one year		
		NHS Scotland		
571	571	SGHSCD	(5)	(5)
1,524	1,524	Boards	1,682	1,682
2,095	2,095	Total NHSScotland Receivables	1,677	1,677
231	231	NHS Non-Scottish bodies	350	350
0	0	General Fund receivables	0	0
150	150	VAT recoverable	64	64
2,082	2,082	Prepayments	2,734	2,734
61	61	Accrued income	12	12
641	661	Other receivables	838	864
317	317	Reimbursement of provisions	129	129
788	788	Other public sector bodies	709	709
6,365	6,385	Total Receivables due within one year	6,513	6,539
		Receivables due after more than one year		
		NHS Scotland		
757	757	Reimbursement of Provisions	982	982
757	757	Total Receivables due after more than one year	982	982
7,122	7,142	TOTAL RECEIVABLES	7,495	7,521
328	328	The total receivables figure above includes a provision for impairments of:	456	456
		WGA Classification		
1,524	1,524	NHS Scotland	1,682	1,682
150	150	Central Government bodies	64	64
709	709	Whole of Government bodies	849	849
231	231	Balances with NHS bodies in England and Wales	350	350
4,508	4,528	Balances with bodies external to Government	4,550	4,576
7,122	7,142	Total	7,495	7,521
2017	2017		2018	2018
£'000	£'000		£'000	£'000
		Movements on the provision for impairment of receivables are as follows:-		
267	267	At 1 April	328	328
61	61	Provision for impairment	128	128
0	0	Receivables written off during the year as uncollectable	0	0
0	0	Unused amounts reversed	0	0
328	328	At 31 March	456	456

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As of 31 March 2018, receivables with a carrying value of £1.2m (2017: £0.5m) were impaired and provided for. The amount of the provision was £0.4m (2017: £0.3m). The ageing of these receivables is as follows:

Board 2017 £'000	Consolidated 2017 £'000		Board 2018 £'000	Consolidated 2018 £'000
17	17	3 to 6 months past due	19	19
311	311	Over 6 months past due	437	437
<u>328</u>	<u>328</u>		<u>456</u>	<u>456</u>

The receivables assessed as individually impaired were mainly [English, Welsh and Irish NHS Trusts/ Health Authorities, other Health Bodies, overseas patients, research companies and private individuals] and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2018, receivables with a carrying value of £2.5m (2017: £2.7m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Board 2017 £'000	Consolidated 2017 £'000		Board 2018 £'000	Consolidated 2018 £'000
1,335	1,335	Up to 3months past due	920	920
77	77	3 to 6 months past due	18	18
1,341	1,341	Over 6 months past due	1,617	1,617
<u>2,753</u>	<u>2,753</u>		<u>2,555</u>	<u>2,555</u>

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

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

The credit quality of 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.

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

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

Board 2017 £'000	Consolidated 2017 £'000		Board 2018 £'000	Consolidated 2018 £'000
7,122	7,142	Pounds	7,495	7,521
<u>7,122</u>	<u>7,142</u>		<u>7,495</u>	<u>7,521</u>

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

The fair value of long term other receivables is £0.9m (2016-17 £0.8m).

The effective interest rate on non-current other receivables is 0% (2016-17 0%). Pension liabilities are discounted at 0.1% (2016-17 0.24%).

NOTES TO THE ACCOUNTS

10. AVAILABLE FOR SALE FINANCIAL ASSETS

Board 2017 £000	Consolidated 2017 £'000	Note	Board 2018 £'000	Consolidated 2018 £'000
0	3,027	At 1 April	0	3,553
0	367	Additions	0	74
0	(329)	Disposals	0	(116)
0	0	Impairment recognised in SOCNE	0	0
0	488	Revaluation (deficit)/surplus transferred to equity	0	(57)
0	3,553	At 31 March	0	3,454
0	0	Current	0	0
0	3,553	Non-current	0	3,454
0	3,553	At 31 March	0	3,454
0	0	The carrying value includes an impairment provision of	0	0

NOTES TO THE ACCOUNTS

11. CASH AND CASH EQUIVALENTS

	2018	2017
Note	£'000	£'000
Balance at 1 April	1,392	1,300
Net charge in cash and cash equivalent balances	CFS 943	92
Balance at 31 March	SoFP 2,335	1,392
Overdrafts	0	0
Total Cash - Cash Flow Statement	<u>2,335</u>	<u>1,392</u>

The following balances at 31 March were held at

Government Banking Service	249	42
Commercial banks and cash in hand	92	150
Overdrafts	0	0
Short term investments	0	0
Endowment cash	1,994	1,200
Balance at 31 March	<u>2,335</u>	<u>1,392</u>

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NOTES TO THE ACCOUNTS

12. TRADE AND OTHER PAYABLES

Board 2017 £000	Consolidated 2017 £'000		Board 2018 £000	Consolidated 2018 £'000
		Payables due within one year		
		NHSScotland		
		Boards	4,002	4,002
4,423	4,423	Total NHSScotland Payables	4,002	4,002
		NHS Non-Scottish Bodies		
		Amounts Payable to General Fund	0	0
189	189	FHS Practitioners	338	338
6,570	6,570	Trade Payables	6,648	6,648
1,916	1,916	Accruals	621	621
9,891	9,891	Payments received on account	10,428	10,428
960	960	Net obligations under Finance Leases	1,076	1,076
84	84	Income tax and social security	17	87
2,343	2,343	Superannuation	2,379	2,379
1,728	1,728	Holiday Pay Accrual	1,722	1,722
2,083	2,083	Other Public Sector Bodies	1,802	1,802
4,711	4,711	Other payables	4,832	4,832
342	377	Endowment Account Payables	223	428
0	0	Total Payables due within one year	SoFP 34,158	34,363
35,240	35,275			
		Payables due after more than one year		
		NHSScotland		
		Net obligations under Finance Leases due within 2 years	17	89
86	86	Net obligations under Finance Leases due after 2 years but within 5 years	17	279
270	270	Net obligations under Finance Leases due after 5 years	17	514
606	606	Other payables	35	35
38	38	Total Payables due after more than one year	SoFP 917	917
1,000	1,000			
36,240	36,275	TOTAL PAYABLES	36,075	36,280
		WGA Classification		
		NHS Scotland	4,002	4,002
4,423	4,423	Central Government Bodies	2,379	2,379
2,343	2,343	Whole of Government Bodies	2,342	2,342
3,110	3,110	Balances with NHS Bodies in England and Wales	0	0
0	0	Balances with bodies external to Government	26,352	26,557
26,364	26,399	Total	35,075	35,280
36,240	36,275			
		Borrowings included above comprise:		
		Finance Leases	969	969
			969	969
		The carrying amount and fair value of the non-current borrowings are as follows		
		Finance Leases	882	882
962	962		882	882
962	962			
		The fair value of the non-current borrowings are as follows Finance Leases	961	961
1,038	1,038		961	961
1,038	1,038			
		The carrying amount of short term payables approximates their fair value.		
		The carrying amount of payables are denominated in the following currencies:		
		Pounds	36,075	35,280
36,240	36,275			

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NOTES TO THE ACCOUNTS

13a. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations	Clinical & Medical	Participation In CNORIS	Other (non endowment) 2018	Total
Note	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	1,553	1,374	8,591	12	11,530
Arising during the year	76	300	2,827	0	3,203
Utilised during the year	(115)	(213)	(515)	(12)	(855)
Unwinding of discount	0	0	(53)	0	(53)
Reversed unutilised	0	0	(1,035)	0	(1,035)
At 31 March 2018	1,514	1,461	9,816	0	12,790

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Borders are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows to 31 March 2018

	Pensions and similar obligations	Clinical & Medical	Participation In CNORIS	Other (non endowment) 2018	Total
SoFP	£'000	£'000	£'000	£'000	£'000
Payable in one year	114	165	2,085	0	2,364
Payable between 2 - 5 years	453	1,296	7,690	0	9,439
Payable between 6 - 10 years	563	0	0	0	563
Thereafter	384	0	40	0	424
Total as at 31 March 2018	1,514	1,461	9,816	0	12,790

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations	Clinical & Medical	Participation in CNORIS	Other (non endowment) 2017	Total
Note	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	1,480	1,010	3,801	19	6,310
Arising during the year	188	744	6,145	0	7,077
Utilised during the year	(115)	(305)	(382)	(7)	(809)
Unwinding of discount	0	0	(6)	0	(6)
Reversed unutilised	0	(75)	(967)	0	(1,042)
At 31 March 2017	1,553	1,374	8,591	12	11,530

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Borders are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

Analysis of expected timing of discounted flows - to 31 March 2017

	Pensions and similar obligations	Clinical & Medical	Participation In CNORIS	Other (non endowment) 2017	Total
SoFP	£'000	£'000	£'000	£'000	£'000
Payable in one year	114	377	2,683	12	3,086
Payable between 2 - 5 years	451	997	5,633	0	7,081
Payable between 6 - 10 years	556	0	270	0	826
Thereafter	432	0	105	0	537
At 31 March 2017	1,553	1,374	8,591	12	11,530

NOTES TO THE ACCOUNTS

13b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2017 £'000	Note	2018 £'000
1,386	13a	1,268
(1,074)	9	(1,111)
8,591	13a	9,815
8,903		9,972

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>

NOTES TO THE ACCOUNTS

14. CONTINGENT LIABILITIES

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

2017 Nature £'000	Note	2018 £'000
797 Clinical and medical compensation payments		375
48 Employer's liability		20
<hr/> 845 TOTAL CONTINGENT LIABILITIES		<hr/> 395
CONTINGENT ASSETS		
495 Clinical and medical compensation payments		115
0 Employer's liability		0
<hr/> 495 TOTAL CONTINGENT ASSETS		<hr/> 115

15. EVENTS AFTER THE END OF THE REPORTING YEAR

There are no events after the reporting period.

NOTES TO THE ACCOUNTS

16. COMMITMENTS

The Board has the following Capital Commitments as part of the approved Capital Plan 2018/19

2017 Contracted	2018
£'000	£'000
86 Roxburgh Street Surgery (completed 2017/18)	0
1,271 Primary Care Premises	0
0 BGH Campus Development	100
248 Project Management	240
0 Risk Mitigation - Inpatient	20
<hr/> 1,605 Total	<hr/> 360
 Authorised but not Contracted	
0 Primary Care Premises	1,100
298 Rolling Replacement Programmes	300
149 Medical Equipment	335
350 Statutory compliance and backlog maintenance property expenditure	950
12 Project Management & Feasibility Assessments	100
2,085 Uncommitted - Clinical Strategy	1,351
241 Radiology Replacement	512
950 IM&T Road to Digital Programme	2,036
100 Uncommitted - Dependent on Sale Proceeds	100
<hr/> 4,185 Total	<hr/> 6,784
 <hr/> 5,790 Total Capital Commitments	 <hr/> 7,144

NOTES TO THE ACCOUNTS

17. COMMITMENTS UNDER LEASES

Operating Leases

Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.

2017 £'000	Note	2018 £'000
Obligations under operating leases comprise		
Land		
52 Not later than one year		54
54 Later than one year, not later than 2 years		55
169 Later than two years, not later than five years		173
378 Later than five years		319
Buildings		
0 Not later than one year		0
Other		
418 Not later than one year		421
232 Later than one year, not later than 2 years		251
57 Later than two years, not later than five years		98
0 Later than five years		0
Amounts charged to Operating Costs in the year were		
604 Hire of equipment (including vehicles)		591
358 Other operating leases		368
962 Total		959

Finance Leases

Total future minimum lease payments under finance leases are given in the table below for the each of the following periods.

2017 £'000	Note	2018 £'000
Obligations under finance leases comprise		
Buildings		
417 Rentals due within one year		427
427 Rentals due between one and two years (inclusive)		438
1,347 Rentals due between two and five years (inclusive)		1,381
3,013 Rentals due after five years		2,541
5,204		4,787
(4,158) Less interest element		(3,818)
1,046	12	969

18. COMMITMENTS UNDER PFI CONTRACTS

NHS Borders does not hold any commitments under PFI Contracts.

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19. PENSION COSTS

NHS Borders participates in the NHS Superannuation Scheme (Scotland). The Scheme is an unfunded statutory public services 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 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 at 31st March 2016 and this will set contribution rates from 1st April 2019.

The scheme has no liability for other obligations to the multi-employer scheme.

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. The scheme is an unfunded multi-employer defined benefit scheme.

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

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

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

The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2017 were £753.9 million (see note 3 in the scheme accounts). Contributions collected in the year to 31 March 2018 will be published in October 2018.

NHS Borders level of participation in the scheme is 1.68% based on the proportion of employer contributions paid in 2016/17

Description of schemes

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The employee contribution during 2017/18 was 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk

	2018	2017
	£'000	£'000
Pension cost charge for the year	12,774	12,629
Additional Costs arising from early retirement	0	0
Provisions/Liabilities/Pre-payments included in the Statement of Financial Position	1,514	1,553

NOTES TO THE ACCOUNTS

20. PRESENTATION OF THE STATEMENT OF CONSOLIDATED NET EXPENDITURE

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Borders. The comparative information in respect of 2016-17 has been presented in the new format in the SoCNE. No retrospective restatements were required.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS Border's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3.

Income is now shown as a single figure. Further details are disclosed in Note 4.

	2017
2016-17 expenditure as published	£'000
Hospital and Community	311,692
Family Health	57,548
Administration Costs	1,838
Other Non-Clinical Services	9,915
Gross expenditure for the year	<u>380,993</u>
	2017
2016-17 expenditure conforming to the new presentation	£'000
Staff Costs	120,372
Other expenditure	
Independent Primary Care Services	28,512
Drugs and medical supplies	44,580
Other health care expenditure	187,529
Gross expenditure for the year	<u>380,993</u>
Movement in gross expenditure for the year	0
	2017
2016-17 income as published	£'000
Hospital and Community Income	136,883
Family Health Income	1,573
Administration Income	0
Other Operating Income	1,970
Gross income for the year	<u>140,426</u>
	2017
2016-17 income conforming to the new presentation	£'000
Operating income	140,426
Gross income for the year	<u>140,426</u>
Movement in gross income for the year	0

NOTES TO THE ACCOUNTS

21. RESTROSPECTIVE RESTATEMENTS

A prior year recategorisation of expenditure has been actioned to the Remuneration and Staff Report in relation to Employee National Insurance Contributions. The recategorisation totalled £1.699m and did not affect the total pay costs overall as reported for 2016/17 on page 55.

A prior year re-classification has been actioned to the Health Board Endowment Fund Financial Statements for 2016/17 in relation to a transfer between restricted funds within the Fund Portfolio which had previously been reported as an accounts payable entry. The adjustment has resulted in the level of Funds held of Trust increasing by £121k to £5,269m, as detailed on page 67.

NOTES TO THE ACCOUNTS

22. FINANCIAL INSTRUMENTS

a) FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

CONSOLIDATED

At 31 March 2018	NOTE	Loans and Receivables 2018 £'000	Total 2018 £'000
Assets per balance sheet			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,935	1,935
Cash and cash equivalents	11	2,335	2,335
		4,270	4,270

BOARD

At 31 March 2018	NOTE	Loans and Receivables 2018 £'000	Total 2018 £'000
Assets per balance sheet			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,909	1,909
Cash and cash equivalents	11	341	341
		2,250	2,250

CONSOLIDATED (Prior Year)

At 31 March 2017	NOTE	Loans and Receivables 2017 £'000	Total 2017 £'000
Assets per balance sheet			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,741	1,741
Cash and cash equivalents	11	1,392	1,392
		3,133	3,133

BOARD (Prior Year)

At 31 March 2017	NOTE	Loans and Receivables 2017 £'000	Total 2017 £'000
Assets per balance sheet			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,721	1,721
Cash and cash equivalents	11	192	192
		1,913	1,913

NOTES TO THE ACCOUNTS

22. FINANCIAL INSTRUMENTS

a) FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL LIABILITIES

CONSOLIDATED

At 31 March 2018	NOTE	Other financial liabilities 2018 £'000	Total 2018 £'000
Liabilities per balance sheet			
Finance lease liabilities	12	969	969
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	26,173	26,173
		27,142	27,142

BOARD

At 31 March 2018	NOTE	Other financial liabilities 2018 £'000	Total 2018 £'000
Liabilities per balance sheet			
Finance lease liabilities	12	969	969
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12	25,968	25,968
		26,937	26,937

CONSOLIDATED (Prior Year)

At 31 March 2017	NOTE	Other financial liabilities 2017 £'000	Total 2017 £'000
Liabilities per balance sheet			
Finance lease liabilities	12	1,046	1,046
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	26,735	26,735
		27,781	27,781

BOARD (Prior Year)

At 31 March 2017	NOTE	Other financial liabilities 2017 £'000	Total 2017 £'000
Liabilities per balance sheet			
Finance lease liabilities	12	1,046	1,046
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12	26,700	26,700
		27,746	27,746

NOTES TO THE ACCOUNTS

22. FINANCIAL INSTRUMENTS, cont.

22b. 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.

i) Credit Risk

Credit risk arises from cash and cash equivalents, deposit and 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 a 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.

ii) 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 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 £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31st March 2018				
Finance Lease Liabilities	87	89	279	514
Trade and other payables excluding statutory liabilities	25,933	3	9	23
Total	26,020	92	288	537
	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31st March 2017				
Finance Lease Liabilities	84	86	270	606
Trade and other payables excluding statutory liabilities	26,662	3	9	26
Total	26,746	89	279	632

iii) 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) Cashflow 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.

iv) Fair Value Estimation

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques based on future projected cash flows.

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

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

NOTES TO THE ACCOUNTS

23. RELATED PARTY TRANSACTIONS

Scottish Government

NHS Borders is a child of Scottish Government Health & Social Care Directorate (SGHSCD). The SGHSCD is regarded as a related party. During the year, NHS Borders has had various material transactions with the Directorate and with other entities for which the directorate is regarded at the parent directorate. In addition, NHS Borders has had a number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Scottish Public Pensions Agency (SPPA); Inland Revenue; HM Customs & Excise; Scottish Borders Council; and various NHS Bodies in England and Wales. In addition the Board operates in partnership with the Scottish Borders Integration Joint Board and the Local Authority Scottish Borders Council in line with the agreed Scheme of Integration and to support the outcomes of the Strategic Commissioning Plan.

Borders Health Board Endowment Fund

The Health Board is the corporate trustee of charitable endowment funds of £5.269m as at 31st March 2018. (2017: £4.738m) as per these consolidated Group Accounts.

The Endowment Fund is supported in delivery of designated projects through secondment arrangements with NHS Borders staff.

The following secondment charges were incurred by the Endowment Fund during 2017/18

Fundraising Manager	1.0wte	£36,938
Fundraising Support Officer	1.0wte (part year)	£22,442
Evelyn Sutherland Nurse	0.6wte	£27,711
Palliative Care Nurse Consultant	0.6wte	£32,129
Palliative Care Quality Improvement	1.0wte (part year)	£19,592
Palliative Care Psychologist	0.4wte (part year)	£2,576
Palliative Care Project Officer	1.0wte	£23,549

The financial transactions of the Endowment Fund are recorded through, and reported from, the NHS Scotland National Finance System. Financial transactions between NHS Borders and the Endowment Fund are appropriately authorised and monitored.

Value Added Tax (VAT) relief is secured on financial transactions of the Endowment Fund under Group 15, Schedule 8 V.A.T. Act 1994 on all eligible purchases of medical equipment provided entirely by charity or from voluntary contributions.

Borders members key managers or related parties

The Board records the interests of Board members, employees and other related parties in line with the requirements of the Board's Code of Corporate Governance. No transactions have been incurred as related party transactions with any of the organisations noted in the Register of Interests.

Within the register of interests it is noted that the NHS Borders Chief Executive holds an appointment as a Non Executive Board Member with NHS National Services Scotland.

NOTES TO THE ACCOUNTS

24. 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.

	2017	Gross Inflows	Gross Outflows	2018
	£'000	£'000	£'000	£'000
Monetary amounts such as bank balances and monies on deposit	70	79	(82)	67
Total Monetary Assets	70	79	(82)	67

NOTES TO THE ACCOUNTS

25a. STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

Group	Board	Endowment	Associates and joint ventures - Borders IJB	Consolidated
2017 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000
120,372 Staff Costs	119,340	0	0	119,340
Other operating expenditure				
28,512 Independent Primary Care Services	29,296	0	0	29,296
44,580 Drugs and medical supplies	43,723	0	0	43,723
187,529 Other health care expenditure	67,046	665	126,507	194,218
380,993 Gross expenditure for the year	259,405	665	126,507	386,577
(140,426) Less: operating income	(17,530)	(1,252)	(126,507)	(145,289)
Associates and joint ventures accounted 0 for on an equity basis	0	0	0	0
240,567 Net expenditure for the year	241,875	(587)	0	241,288

Associates and joint ventures accounted for on an equity basis discloses the Board's share of the partnership with the Scottish Borders Integration Joint Board (IJB) which reports a breakeven financial outturn on delegated resources during 2017/18

NOTES TO THE ACCOUNTS

25b. STATEMENT OF CONSOLIDATED FINANCIAL POSITION

Consolidated		Board	Endowment	Associates and joint ventures - Borders IJB	Consolidated
2017 £'000		2018 £'000	2018 £'000	2018 £'000	2018 £'000
	Non-current assets:				
123,059	Property, plant and equipment	126,895	0	0	126,895
1,134	Intangible assets	1,830	0	0	1,830
	Financial assets:				
3,553	Available for sale financial assets	0	3,454	0	3,454
757	Trade and other receivables	982	0	0	982
128,503	Total non-current assets	129,707	3,454	0	133,161
	Current Assets:				
1,071	Inventories	1,189	0	0	1,189
	Financial assets:				
6,385	Trade and other receivables	6,513	26	0	6,539
1,392	Cash and cash equivalents	341	1,994	0	2,335
100	Assets classified as held for sale	100	0	0	100
8,948	Total current assets	8,143	2,020	0	10,163
137,451	Total assets	137,850	5,474	0	143,324
	Current liabilities				
(3,086)	Provisions	(2,364)	0	0	(2,364)
	Financial liabilities:				
(35,275)	Trade and other payables	(34,158)	(205)	0	(34,363)
(38,361)	Total current liabilities	(36,522)	(205)	0	(36,727)
99,090	Non-current assets (less) net current liabilities	101,328	5,269	0	106,597
	Non-current liabilities				
(8,444)	Provisions	(10,426)	0	0	(10,426)
	Financial liabilities:				
(1,000)	Trade and other payables	(917)	0	0	(917)
(9,444)	Total non-current liabilities	(11,343)	0	0	(11,343)
89,646	Assets less liabilities	89,985	5,269	0	95,254
	Taxpayers' Equity				
37,757	General fund	42,207	0	0	42,207
47,151	Revaluation reserve	47,778	0	0	47,778
4,738	Fund held on Trust	0	5,269	0	5,269
89,646	Total taxpayers' equity	89,985	5,269	0	95,254

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25c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board 2017 £'000	Endowment 2017 £'000	Consolidated 2017 £000		Board 2018 £'000	Endowment 2018 £'000	Consolidated 2018 £000
				Note		
			Cash flows from operating activities			
(240,859)	292	(240,567)	Net operating cost		(241,875)	587
3,607	0	3,607	Adjustments for non-cash transactions	2	5,391	0
333	0	333	Add back: interest payable recognised in net operating expenditure	2	340	0
0	0	0	Deduct interest receivable recognised in net operating expenditure	4	0	0
0	0	0	Investment income		0	0
7,348	(84)	7,264	Movement in working capital	2	(469)	165
(229,571)	208	(229,363)	Net cash outflow from operating activities		(236,613)	752
			Cash flows from investing activities			
(4,996)	0	(4,996)	Purchase of property, plant and equipment		(4,903)	0
234	0	234	Transfer of assets (to)/from other NHS bodies		174	0
(31)	0	(31)	Purchase of intangible assets		(949)	0
0	(367)	(367)	Investment Additions		0	(74)
0	0	0	Proceeds of disposal of property, plant and equipment		0	0
0	329	329	Receipts from sale of investments		0	116
(4,793)	(38)	(4,831)	Net cash outflow from investing activities		(5,678)	42
			Cash flows from financing activities			
234,777	0	234,777	Funding		242,708	0
(81)	0	(81)	Movement in general fund working capital		149	0
234,696	0	234,696	Cash drawn down		242,857	0
			Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(//)	0
(77)	0	(//)	Interest element of finance leases and on-balance sheet PFI/PPP contract	2	(340)	0
(333)	0	(333)				(340)
234,286	0	234,286	Net Financing		242,440	0
(78)	170	92	Net increase/(decrease) in cash and cash equivalents in the period		149	794
270	1,030	1,300	Cash and cash equivalents at the beginning of the year		192	1,200
192	1,200	1,392	Cash and cash equivalents at the end of the period	11	341	1,994
			Reconciliation of net cash flow to movement in net debt / cash			
(78)	170	92	Increase / (decrease) in cash in year		943	0
270	1,030	1,300	Net debt / cash at 1 April		192	1,200
192	1,200	1,392	Net debt / cash at 31 March		1,135	1,200



Borders Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006