BORDERS HEALTH BOARD

ANNUAL ACCOUNTS
FINAL

2011/12

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS AND NOTES FOR THE YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

1. Naming convention

NHS Borders is the common name for Borders Health Board.

2. Principal activities and review of the business and future developments

The information that fulfils the requirements of the business review, principal activities and future developments can be found in the Operating and Financial Review report which is incorporated in this report.

3. Date of issue

The financial statements were approved and authorised for issue by the Board on 28 June 2012.

4. Accounting convention

The Annual Accounts and Notes have been prepared under the historical cost convention 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 through profit and loss. The Accounts have been prepared under a direction issued by Scottish Ministers which is included as an annex to the accounts.

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

5. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2011/2012 to 2015/16 the Auditor General has appointed Scott-Moncrieff to undertake the audit of NHS Borders. 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.

6. 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.

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

The Health Board has collective responsibility for the performance of the local NHS system as a whole, and reflects a 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 2011 to 31st March 2012 were as follows:

Non-Executive Members

Mr J Raine, Chair
Mrs E Cameron, Non-Executive Director
Mrs P Alexander, Non-Executive Director
Mrs C Duthie, Non-Executive Director
Mrs J Edey, Non-Executive Director
Mr D Davidson, Non-Executive Director
Mr A Lucas, Non-Executive Director
Cllr A Scott, Non-Executive Director
Dr D Steele, Non-Executive Director
Mr J Hammond, Non-Executive Director

Executive Members

Mr C Campbell, Chief Executive
Dr E Baijal, Director of Public Health
Dr W Cameron, Medical Director
Mrs J Davidson, Chief Operating Officer
Mrs C Gillie, Director of Finance
Mrs S Wright, Director of Nursing and Midwifery

The Board members' responsibilities in relation to the accounts are set out in statements following this report.

7. 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 26.

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 Newstead, Melrose.

8. 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.

9. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 22 and the remuneration report.

10. Remuneration for non audit work

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

11. Value of Land

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

12. Public Services Reform (Scotland) Act 2010

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

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

13. Payment policy

The Scottish Government is committed to supporting business during the current economic climate 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 target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the NHS Board did endeavour to comply with the principles of The Better Payment Practice Code (http://www.payontime.co.uk/) by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner. The payment statistics (relating only to non-NHS suppliers) were as follows:

	2011/12	**2010/11**
Average period of credit taken	11.63 days	11.27 days
Percentage of invoices by volume paid within 30 days	92%	92%
Percentage of invoices by value paid within 30 days	81%	81%
Percentage of invoices by volume paid within 10 days	72%	70%
Percentage of invoices by value paid within 10 days	57%	56%

14. Corporate governance

The Board met bi-monthly during the year to progress the business of the NHS Board. The NHS Board is supported by a number of standing committees which are directly accountable to it:

- Clinical Governance
- Audit
- Staff Governance
- Public Governance
- Community Health and Care Partnership
- Ethics Committee
- Pharmacy Practices Committee

Clinical Governance Committee

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

The membership of the Clinical Governance Committee comprised Mrs. C Duthie, Dr D Steele (from February 2011), Mr. D Davidson, Mr. J Hammond, and Mr. A Lucas who chaired the committee. The Committee was supported by a number of stakeholders from NHS Borders who were in attendance at the meetings during 2011/12.

Minutes of each Clinical Governance Committee meeting are formally presented to the full NHS Board.

Audit Committee

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

The Audit Committee comprised Mrs. J Edey, Mr. A Lucas, and Dr. D Steele and was chaired by Mrs. J Edey. The Committee was supported by a number of stakeholders, including non-executive directors, internal audit and external audit, who were in attendance at the meetings during 2011/12.

Minutes of each Audit Committee meeting are formally presented to the full NHS Board.

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 membership of the Staff Governance Committee comprised Mrs. E Cameron, Mrs. P Alexander, Mr. A Lucas and Dr. D Steele. The Committee is chaired by Mrs. E Cameron. The Committee was supported by a number of stakeholders from NHS Borders who were in attendance at the meetings during 2011/12.

Minutes of each Staff Governance Committee meeting are formally presented to the full NHS Board.

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. The membership of the Public Governance Committee comprised Mrs. C Duthie, Dr. D Steele, Mrs. E Cameron, Mrs P Alexander, Mr. A Leitch, Mrs. G Jardine, Mrs J Miller, Mrs F Morrison, Mrs A McCollam, Mrs M Simpson, Mrs M Lawson, Mrs F McQueen and was chaired by Mrs. C Duthie. The Committee was supported by a number of stakeholders from NHS Borders who were in attendance at the meetings during 2011/12.

Minutes of each Public Governance Committee meeting are formally presented to the full NHS Board.

Community and Health Care Partnership (CHCP)

The purpose of the Community and Health Care Partnership is to ensure that the partnership agreement delivers the objectives of the CHCP Strategic Plan by monitoring governance arrangements, plan progress, commission and redesign of jointly delivered services, to hold Joint Boards to account and drive forward health improvement. The CHCP Board was chaired in 2011/12 by Councillor Sandy Scott.

Core membership of the CHCP for the period 1 April 2011 to 31st March 2012 was:

NHS Borders

NHS Borders Chief Executive
- Mr C Campbell

Chair NHS Borders
- Mr J Raine

NHS Non-Executive Directors.
- Mrs. J Edey
- Mrs P Alexander
- Mr. J Hammond

Chair Joint Staff Forum
- Mrs. I Clark

Chair of Public Partnership Forum
- Mr. A Leitch

Scottish Borders Council

Chief Executive
- Ms T Logan

Local Councillors Executive members
- Cllr. D Parker
- Cllr. S Scott (Chair)
- Cllr. F Renton
- Cllr. R Smith
- Cllr. G Turnbull

The Committee was supported by a number of stakeholders from NHS Borders and Scottish Borders Council who were in attendance at the meetings during 2011/12.

Minutes of each Community and Health Care Partnership meeting are formally presented to the full NHS Board.

Ethics Committee

NHS Borders refers any request for independent advice as to whether a given piece of research is ethical, and whether the dignity, rights, safety and wellbeing of individual research subjects are adequately protected to the South East Scotland Research and Ethics Service. The Committee was not required to meet during 2011/12 as no matters were referred.

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. No applications were made during 2011/12 therefore the Committee was not required to meet.

The membership of the Committee is Mrs. J Edey (Chair), Mrs. R Anderson, Mrs A Mackie, Mr S Scott, Mrs M. Simpson and Mrs. A Purvis.

Minutes of Pharmacy Practices Committee meetings are formally presented to the full NHS Board

15. Disclosure of information to auditors

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

16. Human resources

As an Equal Opportunities employer NHS Borders is committed to supporting the equality and diversity agenda, and believes in employing staff based solely on their ability to undertake the duties of the wide range of posts within its organisation. NHS Borders provides employees with information on matters of concern and interest to them as employees by means of an Intranet website, a monthly Corporate and Team brief, staff newsletter, updates on specific issues, the staff induction programme and through contracts of employment. NHS Borders consults employees or their representatives so their views are taken into account in decisions affecting their interests by utilising Area and Local Partnership Fora.

17. Events after the end of the reporting period

The 2010/11 Remuneration Report has been restated following review. The restated Remuneration Report has been agreed by PricewaterhouseCoopers LLP, the appointed External Auditors for NHS Borders for financial year 2010/11.

18. 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 25.

19. Approval and signing of the directors' report

The Accounting Officer authorised these financial statements for issue on 28 June 2012.

Signed 28 June 2012

Chief Executive

OPERATING AND FINANCIAL REVIEW

1. Principal activities and review of the year

The NHS Board was established in 1974 under the National Health Service (Scotland) Act 1974 and is responsible for providing health care services for the residents of the Scottish Borders, a total population of 116,035 (GP Practice List – March 2012)

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

The role of the NHS Board is to:

- improve and protect the health of local people;
- improve health services for local people;
- focus clearly on health outcomes and people's experience of NHS Borders;
- promote joint health and community planning by working closely with other local organisations;
- provide a single focus of accountability for the performance of NHS Borders; and
- involve the public in the design and delivery of healthcare services.

The functions of the NHS Board comprise:

- strategy development;
- resource allocation;
- financial stewardship;
- implementation and delivery of the Local Delivery Plan;
- performance management;
- appointment, appraisal and remuneration of senior executives;
- governance of NHS Borders, discharged through the Standing Committees; and
- ensure effective public involvement and engagement on NHS Borders' plans and performance.

The Vision, Values and Corporate Objectives of NHS Borders were refreshed during 2011/12 and were formally approved by the Board at its meeting on 30 June 2011. Patient Safety is the Board's main priority and is at the heart of all of the services provided by NHS Borders. The Board has clear focus to provide patient care that is safe, effective and affordable.

In support of the corporate objectives during 2011/12 NHS Borders undertook and facilitated a wide range of activities which included

- The opening of a Planned Surgical Admissions Unit
- The adoption of an Enhanced recovery Programme in Orthopaedics
- The opening of a new renal unit within Borders General Hospital
- Roll out of the Scottish Patient Safety Programme across NHS Borders
- Co-location of services with Scottish Borders Council at the Community Hospital sites in Kelso and Peebles.

Full details of the above and the many other key Board achievements during 2011/12 can be referenced from the End of Year report available from the office of the Chief Executive.

A key element of the Board's plan to attain a financial breakeven outturn in 2011/12 was the achievement of its cost efficiency target. During the financial year £7.1m of savings were delivered. A key element of financial sustainability is that the recurring element of the cost efficiency target is achieved. Following conclusion of projects which started part way through 2011/12 £5.6m recurring savings have been identified, overachieving the target of £5.4m and ensuring that there is no recurring requirement carried forward into the next financial year which would increase the financial risk for the organisation.

During 2011/12 the Board launched its 20:20 vision setting out the way forward for NHS Borders to meet its aims of raising standards, meeting increased levels of demand whilst achieving efficiency savings. The vision includes changes that will be required as well as actions to be implemented. This will enable NHS Borders to remain at the forefront of implementing innovation and new ways of working in order to ensure that health services remain as local and responsive as possible and that all resources are used in the most efficient way.

2. Financial Performance and Position

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

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

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

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

		Limit as set by SGHD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
1	Core Revenue Resource Limit	185,725	185,667	58
	Non Core Revenue Resource Limit	4,728	4,728	0
2	Core Capital Resource Limit	3,731	3,725	6
	Non Core Capital Resource Limit	0	0	0
3	Cash Requirement	210,000	209,287	713

MEMORANDUM FOR IN YEAR OUTTURN	£'000
Brought forward surplus from previous financial year	533
Saving against in year total Revenue Resource Limit	591

Provision for bad and doubtful debts

Debtors are stated net of a provision for doubtful debts equating to £121,261 (2010/2011: £67,697).

Outstanding Liabilities

'Trade and other payables' due within one year have decreased from £34.8m in 2010/2011 to £24.9m in 2011/12. This reflects the timing difference in relation to the receipt of allocations, income and the payment of invoices.

'Trade and other payables' due within one year as reported at 31st March 2012 include a provision of £1.947m (2010/11: £1.909m) with respect to an accrual for holiday pay.

Legal Obligations

The Board has provided for £3.504m clinical and medical negligence compensation claims (2010/11: £3.530m) and £1.396m pension obligations (2010/11: £1.414m) at 31st March 2012.

Sickness Absence

During the year ended 31st March 2012, the NHS Borders average sickness absence rate was 4.71% (2010/11: 4.07%).

Information Governance

The number of security breaches of data protection/information reported through the NHS Borders Incident Reporting system was 241 for 2011/12 (2010/11: 53). The Information Governance Committee detailed this increase within its Annual Report for 2011/12 noting that following introduction of the electronic incident reporting system, Datix, the increase in incidents reported may be as a result of increased staff awareness of the reporting tool available to them and that it is simpler to report an incident in the computerised system

compared to the previous paper based recording process. All incidents were investigated and appropriate action taken.

Patient Exemption Checking

Each year NHS Scotland Counter Fraud Services (CFS) carries out a programme of checks on patients claiming exemption from NHS prescription, dental and ophthalmic charges. These checks are targeted on those areas where the risk of fraud or error is assessed to be highest. As in previous years, CFS has used the results of this testing to produce extrapolations in an attempt to quantify the level of income potentially lost to the NHS due to patient exemption fraud or error. 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. NHS Borders will continue to work with CFS to ensure the maximum possible resource is available for health services in the Borders.

3. Performance against Key Non-Financial Targets

In December 2005 the Scottish Executive issued guidance to Boards requiring them to submit Local Delivery Plans (LDP's), which set targets for specified indicators of performance in four key areas; these are known as the HEAT targets, and cover Health improvement, Efficiency, Access and Treatment. As part of the Local Delivery Plan submission to the Scottish Government, the NHS Board is committed to achieving targets and also details a specific trajectory of intermediate milestones. This is supplemented by an assessment of the main risks. The full HEAT target portfolio is detailed below followed by a summary of progress against a sample of the targets as at March 2012.

Further information on performance against targets can be found as part of the NHS Board papers, specifically the HEAT Performance Scorecard, available on the NHS Borders website http://www.nhsborders.org.uk

HEAT Target portfolio

Health improvement
Achieve agreed number of screenings using the setting-appropriate screening tool and appropriate alcohol brief intervention, in line with SIGN 74 guidelines by 2011/12
Reduce suicide rate between 2002 and 2013 by 20%
NHS Scotland to deliver universal smoking cessation services to achieve at least 80,000 successful quits (at one month post quit) including 48,000 in the 40% most deprived within board SIMD areas over the three years ending March 2014.
Achieve agreed completion rates for child healthy weight intervention programme over the three years ending March 2014
Achieve agreed number of inequalities targeted cardiovascular health checks during 2011/12
At least 60% of 3 and 4 year olds in each Scottish Index of Multiple Deprivation (SIMD) to receive at least two applications of fluoride varnish (FV) per year by March 2014

Efficiency & Governance
NHS Boards to operate within their agreed revenue resource limit; operate within their capital resource limit; meet their cash requirement
NHS Boards to deliver 3% efficiency saving to reinvest in frontline services
NHS Scotland to reduce CO_2 emissions for oil, gas, butane and propane usage based on a national average year-on-year reduction of 3% each year to 2015-16.
NHS Scotland to reduce energy based carbon emissions and to continue a reduction in energy consumption to contribute to the greenhouse gas emissions reduction targets set in the Climate Change (Scotland) Act 2009

Access to Services
From the quarter ending December 2011, 95% of all patients diagnosed with cancer to begin treatment within 31 days of decision to treat, and 95% of those referred urgently with a suspicion of cancer to begin treatment within 62 days of receipt of referral.
Deliver 18 weeks referral to treatment from 31 December 2011.
By March 2013, 90% of clients will wait no longer than 3 weeks from referral received to appropriate drug or

alcohol treatment that supports their recovery.
Deliver faster access to Mental Health Services by delivering 26 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS) from March 2013
18 Weeks referral to treatment for Psychological Therapies from December 2014

Treatment Appropriate to Patient
Reducing the need for emergency hospital care, NHS Boards will achieve agreed reductions in emergency inpatient bed day rates for people aged 75 and over between 2009/10 and 2011/12 through improved partnership working between the acute, primary and community care sectors
To improve stroke care, 90% of all patients admitted with a diagnosis of stroke will be admitted to a stroke unit on the day of admission, or the day following presentation by March 2013.
Further reduce healthcare associated infections so that by 2012/13 NHS Boards' *staphylococcus aureus* bacteriamia (including MRSA) cases are 0.26 or less per 1000 acute occupied bed days; and the rate of *Clostridium difficile* infections in patients aged 65 and over is 0.39 cases or less per 1000 total occupied bed days
To support shifting the balance of care, NHS Boards will achieve agreed reductions in the rates of attendance at A&E between 2009/10 and 2013/14

HEAT Target sample

Target	**Reported performance as at 31st March 2012**
Achieve agreed number of screenings using the setting-appropriate screening tool and appropriate alcohol brief intervention, in line with SIGN 74 guidelines by 2011/12	There continued to be strong performance against this target during 2011/12. The March 2012 target of 1,247 interventions was achieved in December 2011. The number of interventions recorded at the end of March 2012 was 2727, therefore an over achievement of 1480 above the total target.
NHS Scotland to deliver universal smoking cessation services to achieve at least 80,000 successful quits (at one month post quit) including 48,000 in the 40% most deprived within board SIMD areas over the three years ending March 2014.	This target measures the total number of the smoking population who have quit for a period of a month or longer following input from the Smoking Cessation Service, within the most deprived areas. The March 2012 target of 280 smokers who have quit has been over achieved during 2011/12 with a total of 370.
From the quarter ending December 2011, 95% of all patients diagnosed with cancer to begin treatment within 31 days of decision to treat, and 95% of those referred urgently with a suspicion of cancer to begin treatment within 62 days of receipt of referral.	Performance against the 31 day target continued positively throughout 2011/12, during March 2012 this target was achieved. The 62 day target has also been successfully delivered during 2011/12.
Deliver faster access to Mental Health Services by delivering 26 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS) from March 2013	Performance levels have varied during the course of 2011/12, however in 7 out of 12 months performance has achieved the monthly target of no more that 2 referrals waiting longer than 26 weeks until receipt of treatment. Current performance at the end of March 2012 was 100% with 0 referrals having to wait over 26 weeks for treatment.
To improve stroke care, 90% of all patients admitted with a diagnosis of stroke will be admitted to a stroke unit on the day of admission, or the day following presentation by March 2013.	Performance levels have varied during the course of 2011/12; however in 5 out of 12 months performance has exceeded the monthly trajectory, 4 of which have exceeded the March 2012 target of 80%. Current performance at the end of the month of March 2012 was above the 80% trajectory target by 11.67% at 91.67%,

During 2011/12 the Board continued to successfully improve a more rigorous corporate performance management and reporting framework. This included the ongoing development and review of Clinical Board / Clinical Executive performance scorecards and quarterly performance reviews, ensuring focus on quality and

safety as well as wider service performance issues. Progress against key performance targets, including HEAT targets, are reported to the Board on a regular basis.

4. Sustainability and Environmental Reporting

In conjunction with the Carbon Trust, the Board produced a Carbon Management Plan (CMP) in 2008 aimed at addressing a substantial reduction in the carbon impact by 2016. The Board currently has an annual energy spend of almost £2m and a carbon footprint of 11,816 tonnes of CO2. In meeting proposed targets, NHS Borders will save £1.8m and avoid emissions of 7,396 tonnes of CO2 in total over the 8 year period.

Key principles within the Board's CMP are detailed below:

- 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 the approach to data monitoring;

- Reducing waste sent to landfill by improving waste minimisation and recycling initiatives within the property portfolio and reducing paper consumption;

- Reducing emissions from the vehicle fleet by procuring fuel efficient vehicles and low emission vehicles allied to specific driver training and improved monitoring of the fleet; and

- 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.

During 2011/12, a number of carbon reduction projects have been undertaken in-line with the CMP, as detailed below:

- An energy saving internal and external light replacement programme across NHS Borders' estate, including installation of external LED lights;
- A full replacement of conventional bed linen to knitted polyester bed linen has optimised energy and water efficiencies in the Laundry at Borders General Hospital (BGH);
- A boiler replacement programme has continued for NHS Borders' community properties;
- An energy audit has been carried out on the complete property portfolio in respect of heating times and temperatures and adjustments made to provide optimal efficiency and a reduction in carbon emissions;
- A driver training programme was carried out to improve fleet vehicle efficiency;
- An increase in the availability of the office communicator system and teleconferencing facilities has reduced staff business travel;
- A replacement programme has been carried out on the chilled water system at the BGH with a new energy efficient centralised chilled water plant installed.

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 for inclusion in the NHS Scotland Annual Environmental Report.

Signed 28 June 2012

Chief Executive

REMUNERATION REPORT

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

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 Directorate.

The Remuneration Committee comprised Mr J Raine, Mrs J Edey, Mrs C Duthie, Mr A Lucas and was chaired by Mr J Raine. Mr C Campbell and Mr C Herbert 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 employee's remuneration
Remuneration levels are determined by the Remuneration Committee.

Performance Measurement
The Executive and Senior Manager Pay arrangements established by HDL (2006)23, HDL (2006)54 and amended by HDL (2006)59 and HDL (2007)15 are mandatory for all employing authorities in NHS Scotland. HDL(2006)54 announced the creation of a National Performance Committee and HDL(2007)15 revised the 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. 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 normal 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 Health Department Letters.

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 Employee's remuneration, in bandings of £2,500 and £5,000.

Hutton Fair Pay Review
The Hutton Fair Pay Review recommended that from 2011-12, 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 ratio comparing March 2011 and March 2012 has reduced from 7.27 to 7.11 respectively.

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION (AUDITED INFORMATION)

FOR THE YEAR ENDED 31 MARCH 2012

	Salary & Employers Pension Contributions (Bands of £5,000)	Real increase in pension At age 60 (Bands of £2,500)	Total accrued pension at age 60 at 31 March (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2011	Cash Equivalent Transfer Value (CETV) at 31 March 2012	Real increase in CETV in year	Benefits in kind	Footnote ↓
				£'000	**£'000**	**£'000**	**£'000**	
Remuneration of:								
Executive Members								
Chief Executive: Mr C Campbell	130-135	0-2.5	32.5-35	442	532	90	0.0	
Director of Public Health: Dr E Baijal	185-190	(0-2.5)	52.5-55	1012	1107	95	0.4	2
Director of Finance: Mrs C Gillie	70-75	0-2.5	20-22.5	309	382	73	1.4	
Medical Director: Dr W Cameron	170-175	0-2.5	62-65	1142	1260	118	0.0	
Chief Operating Officer: Mrs J Davidson	100-105	(0-2.5)	20-22.5	280	333	53	0.0	
Nursing Director: Mrs S Wright	85-90	(0-2.5)	27.5-30	447	509	62	0.0	
Non Executive Members								
Chair - Mr J Raine	25-30	0 - 0	0 - 0	0	0	0	0.0	
Mr D Davidson	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mrs C Duthie	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mrs J Edey	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr A Lucas	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr A Scott	5-10	0 - 0	0 - 0	0	0	0	0.0	
Dr D Steele	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr J Hammond	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mrs P Alexander	5-10	0 - 0	0 - 0	0	0	0	0.0	
Employee Director :Mrs E Cameron	45-50	0 - 0	0 - 0	0	0	0	3.3	1
Other Senior Employees								
Total				**3632**	**4123**	**491**	**5.1**	

1 – Mrs E Cameron is employed as a Non executive Director of NHS Borders Board for one day per week and as the Employee Director of NHS Borders for four days per week.

2 – The post of Director of Public Health was appointed jointly by NHS Borders and the Local Authority, Scottish Borders Council. Scottish Borders Council financially contributes £50,000 per annum towards Salary and Pension Contributions of the post.

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION (AUDITED INFORMATION)

FOR THE YEAR ENDED 31 MARCH 2011 – ***Restated

	Salary & Employers Pension Contibutions (Bands of £5,000)	Real increase in pension At age 60 (Bands of £2,500)	Total accrued pension at age 60 at 31 March (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2010	Cash Equivalent Transfer Value (CETV) at 31 March 2011	Real increase in CETV in year	Benefits in kind	Footnote
				£'000	**£'000**	**£'000**	**£'000**	
Remuneration of:								
Executive Members								
Chief Executive: Mr C Campbell	130-135	2.5-5	30-32.5	558	519	-39	0.0	
Director of Public Health: Dr E Baijal	185-190	0-2.5	52.5-55	1033	1121	88	1.2	3
Director of Finance: Mrs J Davidson (to 31 October 2010)	60-65	0 - 0	0 - 0	0	0	0	0.0	
Director of Finance: Mrs C Gillie (from 1 November 2010)	30-35	0-2.5	17.5-20	325	354	29	1.0	4
Medical Director: Dr W Cameron	170-175	2.5-5	60-62.5	1172	1305	133	0.2	
Chief Operating Officer: Mr R Roberts (to 31 October 2010)	50-55	0 - 0	0 - 0	0	0	0	0.0	1
Chief Operating Officer: Mrs J Davidson (from 1 November 2010)	40-45	0-2.5	20-22.5	290	330	40	0.0	
Nursing Director: Mrs S Wright	85-90	2.5-5	27.5-30	432	510	78	0.0	5
Director of Workforce: Mrs L Hamilton Welsh (to 31 August 2010)	20-25	0 - 0	0 - 0	0	0	0	0.0	1
Director of Workforce: Mr R Roberts (from 1 November 2010 to 9 January 2011)	15-20	0 - 0	0 - 0	0	0	0	0.1	
Non Executive Members								
Chair - Mrs M Wilson	25-30	0 - 0	0 - 0	0	0	0	2.6	1
Mr D Davidson	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mrs C Duthie	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mrs J Edey	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr A Lucas	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr A Scott	5-10	0 - 0	0 - 0	0	0	0	0.0	
Dr D Steele	5-10	0 - 0	0 - 0	0	0	0	0.0	
Mr V Summers (to 31 October 2010)	0-5	0 - 0	0 - 0	0	0	0	0.0	
Mr J Hammond (from 1 November 2010)	0-5	0 - 0	0 - 0	0	0	0	0.0	
Mrs P Alexander	5-10	0 - 0	0 - 0	0	0	0	0.0	
Employee Director :Mrs E Cameron	45-50	0 - 0	0 - 0	0	0	0	2.4	2
Other Senior Employees								
Former Director of Finance: Mr R Kemp (to 8 April 2010)	0-5	*	*	*	*	*	*	1
Total				**3810**	**4139**	**329**	**7.5**	

1 – Mrs L Hamilton Welsh left the organisation on 31 August 2010
Mr R Roberts left the organisation on 9 January 2011
Mr R Kemp retired from the organisation on 8 April 2010
Mrs M Wilson left the organisation on 31 March 2011

2 – Mrs E Cameron is employed as a Non Executive Director of NHS Borders Board for one day per week and as the Employee Director of NHS Borders for four days per week.

3 – The post of Director of Public Health was appointed jointly by NHS Borders and the Local Authority, Scottish Borders Council.
Scottish Borders Council financially contributes £50,000 per annum toward the Salary and Pension Contributions of the post.

4 – Mrs C Gillie received performance related bonus within the band of £0-£5,000

5- Mrs S Wright received performance related bonus within the band of £0-£5,000

*** 2010-11 Report has been updated in line with required disclosure, including pension details for Mr C Campbell now received from the Scottish Public Pensions Agency.

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION (AUDITED INFORMATION)

FOR THE YEAR ENDED 31 MARCH 2012

Hutton Fair Pay Review

2011-12

Highest Earning Director's Total Remuneration (£'000s) Remuneration Report	**185-190**
Highest Earning Director's Total Remuneration (£'000s) Hutton	**165-170**
Median Total Remuneration	**£23,650**
Ratio	**7.11**

2010-11

Highest Earning Director's Total Remuneration (£'000s) Remuneration Report	**185-190**
Highest Earning Director's Total Remuneration (£'000s) Hutton	**165-170**
Median Total Remuneration	**£23,126**
Ratio	**7.27**

Signed 28th June 2012

Chief Executive

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS 2011/2012

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

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

This designation carries with it, responsibility for:

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

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of the 1st January 2010.

Signed 28 June 2012

Chief Executive

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS 2011/2012

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2012, and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Government Health Directorates. 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 28 June 2012

Chair

Signed 28 June 2012

Director of Finance

GOVERNANCE STATEMENT

Scope of Responsibility

As Accountable Officer, I have responsibility 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 2012, and up to the date of approval of the annual report and accounts.

The SPFM is issued by 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 his responsibilities by the existence of the following Governance Framework. The individual elements of this framework combine to ensure that NHS Borders is compliant with the UK Corporate Governance Code.

- The Vision, Values and Corporate Objectives of NHS Borders were refreshed during 2011/2 and were formally approved by the Board at its meeting on 30th June 2011. Patient Safety is the Board's main priority and is at the heart of all of the services provided by NHS Borders. The Board has 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 indicators and key performance indicators.

- During 2011/12 the Board continued to successfully develop a more rigorous corporate performance management and reporting framework. This included the ongoing development and review of Clinical Board / Clinical Executive performance scorecards and quarterly performance reviews, ensuring focus on quality and safety as well as wider service performance issues. Progress against key performance targets, including HEAT targets, are reported to the Board on a regular basis.

- The Scottish Government Health Directorate (SGHD) issued revised Best Value guidance on 23rd March 2011 aimed at ensuring a more consistent approach in embedding the Duty of Best Value principles in the way the Board conducts its operations. NHS Borders implemented the revised principles in 2011/12 to ensure that all processes have a robust in-built Best Value framework.

  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 SGHD. 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.

- The CoCG is reviewed on a quarterly basis by the CoCG Steering Group. A detailed report presenting recommendations from the Steering Group was approved by the Board at its meeting on 26th January 2012.

- 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 Board has processes in place to ensure relevant laws and regulations and internal policies and procedures are implemented as required and that operationally compliance is achieved. 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. 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 'Voicing Concerns' policy was signed off by the Area Partnership Forum (APF) in November 2007. This policy and protocol is available for use where the interests of patients, staff or of NHS Borders is at risk. The APF noted at its meeting in March 2012 that a new Whistleblowing Partner Information Network (PIN) guideline has been issued and that this model policy would be adopted by the Board and implemented during 2012/13.

- 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.

- A structured Strategyand Development Programme is in place for the all members of the Board. The bi-monthly sessions concentrate 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 promotes strengthening of the Executives and Non Executive Directors to achieve their strategic and operational roles.

- Scott Moncrieff, External Auditors for NHS Borders completed a targeted follow up review of NHS Borders response to the recommendations set out in the Audit Scotland report *The role of boards*. The targeted follow up assesses how the board has sought to improve its performance and operations in response to the Audit Scotland report. The follow up work is complete and will be reported in due course adding additional evidence on the effectiveness of the board in its governance of the organisation.

- The Board utilises many forms of communication including a monthly Corporate and Team Brief, Staff Newsletter, Chief Executive Open forum meetings, and the Intranet 'Ask the Board' facility.

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 the Directors' Report) 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 Risk Management Group
- the Information Governance Committee

The review of the effectiveness of internal control is a comprehensive documented exercise within NHS Borders and includes the following

- Review against guidance from the Scottish Government Health 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 the Best Value Framework
- Third Party Assurance Reports
- Annual Fraud Report
- Report on Losses and Compensation

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 system of internal control. The Audit Committee reports its conclusion to the NHS Board leading to the Chief Executive 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. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Borders has in place a Risk Management Strategy. This strategy includes having a Risk Management Group (RMG), which is responsible for developing a single system of risk management for NHS Borders, and overseeing the development and maintenance of the strategy and infrastructure. It monitors the implementation of associated plans to co-ordinate the management of risk across the NHS Board using a consistent methodology and set of standards. All national performance reports issued by Audit Scotland are reviewed by the RMG to ensure that local action plans are developed to implement improvements. The RMG provides regular reports to the NHS Borders Audit Committee, which as a standing committee of the Board, has responsibility for the oversight of risk management systems and processes.

The key components of the Board's risk management arrangements are the Risk Management Strategy, the Risk Register Policy and the Strategic Risk Register. The Strategic Risk Register summarises the main risks identified across the organisation and the processes by which these risks were managed.

NHS Borders Board undertook a full review of Strategic Risk during a session held in September 2011, facilitated by PricewaterhouseCoopers LLP, the Board Executive Team have subsequently reviewed the Strategic Risks identified during that review session and revisited all risk scoring to strengthen these to reflect the effect of risk controls. NHS Borders Board Members at the December Strategy and Performance Committee noted the update given on the development of a refreshed Strategic Risk Register for NHS Borders.

The Datix Risk Management system was launched on 1 April 2011 the system includes patient safety software for healthcare risk management, incident reporting and adverse events.

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.

One significant area of focus for NHS Borders is the aspect of maintaining business continuity and robust emergency plans in terms of the business of the organisation. NHS Borders Resilience Committee, reporting to the RMG, is remitted to support the Chief Executive and the RMG in all areas of resilience planning within NHS Borders. The Resilience Committee annual workplan is reported twice yearly to the Audit Committee.

During financial year 2011/12, the Annual Report from the Information Governance Committee demonstrates that NHS Borders has built on the achievement of level 2 compliance with the Information Governance standards set by NHS Scotland. The report detailed that Information Governance is being formalised by the development of a Code of Practice and by ensuring that Information Governance training is mandatory for all staff. By being one of the first Boards in Scotland to implement the national privacy breach detection software 'FairWarning' the Committee gains assurance that NHS Borders is able to proactively monitor access to individual electronic patient records. Initiatives such as the completion of the encryption project for portable devices ensures priority continues to be given to the security of information held. The annual report notes the publication of the NHS Scotland Information Assurance Strategy which identifies key outcomes and actions to be taken at national and local level to support developments from the eHealth strategy. Locally actions have been mapped against what is currently in place.

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.

Highlighted in the Statement on Internal Control for 2010/11 for NHS Borders were actions required to improve the control environment. Detailed below are updates on these actions:

ISSUE 1 – PROPERTY MANAGEMENT STRATEGY
The formal adoption by the Board of a property management strategy that clearly identifies the property requirements of NHS Borders fully connected and consistent with links to identified service strategies.

2011/12 update
NHS Borders submitted information for the State of the Estate Report 2011 which was published by Scottish Government in February 2012.

NHS Borders submitted in draft the Property and Asset Management Strategy (PAMS) to Scottish Government. NHS Borders Board will consider the PAMS document in detail during the summer of 2012.

ISSUE 2 – STRATEGIC RISK REGISTER
A full Board review of the Strategic Risk Register (to be facilitated by PwC in July 2011)

2011/12 update
The facilitated session took place in September 2011, the Board Executive Team have subsequently reviewed the Strategic Risks identified and revisited the risk scoring to strengthen these to reflect the effect of risk controls. NHS Borders Board Members at the December Strategy and Performance Committee noted the update given on the development of a refreshed Strategic Risk Register for NHS Borders.

ISSUE 3 – SSTS IMPLEMENTATION
The roll out of SSTS, a national time recording system that interfaces directly with the payroll system, to eliminate dependency on manual records for recording hours worked and to assist in the elimination of fraudulent pay claims. 61% of activity previously recorded on hard copy timesheets is now processed through SSTS and it is anticipated that full timesheet coverage will be transferred to the system by August 2011. Roll out of the system to other services will continue during 2011/12, with a projected end date of March 2012.

2011/12 update
92% of staff who previously recorded time and attendance on hard copy timesheets are now managed through the SSTS system. Phase 2 of the roll out of the system to non timesheet employees has recently begun, and is on target, with an estimated completion of October 2012 in line with the introduction of the ePayroll system.

Disclosures
During the year ended 31 March 2012, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

C Campbell
Chief Executive and Accountable Officer
28 June 2012

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

We have audited the financial statements of Borders Health Board for the year ended 31 March 2012 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Balance Sheet, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable in law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2012 and of its net operating cost for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and

- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and

- the information given in the Operating and Financial Review and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

……

Scott Moncrieff
Chartered Accountants
Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

28 June 2012

BORDERS HEALTH BOARD

STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN

FOR THE YEAR ENDED 31 MARCH 2012

2011 £'000		Note	£'000	£'000
	Clinical Services Costs			
166,830	Hospital and Community	4	165,181	
14,532	Less: Hospital and Community Income	8	15,076	
152,298				150,105
48,775	Family Health	5	49,755	
1,668	Less: Family Health Income	8	1,220	
47,107				48,535
199,405	**Total Clinical Services Costs**			**198,640**
1,947	Administration Costs	6	2,035	
0	Less: Administration Income	8	0	
1,947				2,035
2,242	Other Non Clinical Services	7	2,604	
4,158	Less: Other Operating Income	8	2,111	
(1,916)				493
199,436	**Net Operating Costs**			**201,168**

OTHER COMPREHSIVE NET EXPENDITURE

2010 £'000		£'000
(251)	Net (gain)/loss on revaluation of Property Plant and Equipment	(3,681)
(251)	Other Comprehensive Expenditure	(3,681)
199,185	**Total Comprehensive Expenditure**	**197,487**

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.

BORDERS HEALTH BOARD

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

FOR THE YEAR ENDED 31 MARCH 2012

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	£'000
Net Operating Costs	**201,168**
Total Non Core Expenditure (see below)	(4,728)
FHS Non Discretionary Allocation	(11,910)
Donated Asset Income	1,137
Total Core Expenditure	**185,667**
Core Revenue Resource Limit	185,725
Saving/(excess) against Core Revenue Resource Limit	**58**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN	
Depreciation/Amortisation	3,878
Annually Managed Expenditure - Impairments	583
Annually Managed Expenditure - Creation of Provisions	120
Annually Managed Expenditure - Depreciation of Donated Assets	147
Total Non Core Expenditure	**4,728**
Non Core Revenue Resource Limit	4,728
Saving/(excess) against Non Core Revenue Resource Limit	**0**

SUMMARY RESOURCE OUTTURN	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	185,725	185,667	58
Non Core	4,728	4,728	0
Total	**190,453**	**190,395**	**58**

BORDERS HEALTH BOARD

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2012

2010 £'000	2011 £'000		Note	£'000	£'000
		Non-current assets:			
105,289	106,204	Property, plant and equipment	11a+11b	109,810	
232	363	Intangible assets	10	278	
6,515	3,661	Trade and other receivables	13	3,600	
112,036	**110,228**	**Total non-current assets**			**113,688**
		Current Assets:			
911	1,053	Inventories	12	1,037	
		Financial assets:			
6,179	7,262	Trade and other receivables	13	6,945	
1,583	1,059	Cash and cash equivalents	14	215	
224	359	Assets classified as held for sale	11c	732	
8,897	**9,733**	**Total current assets**			**8,929**
120,933	**119,961**	**Total assets**			**122,617**
		Current liabilities			
(471)	(506)	Provisions	16	(3,341)	
		Financial liabilities:			
(31,595)	(34,769)	Trade and other payables	15	(25,011)	
(32,066)	**(35,275)**	**Total current liabilities**			**(28,352)**
88,867	**84,686**	**Non-current assets plus/less net current assets/liabilities**			**94,265**
		Non-current liabilities			
(8,550)	(4,663)	Provisions	16	(1,559)	
		Financial liabilities:			
(1,616)	(1,538)	Trade and other payables	15	(1,457)	
(10,166)	**(6,201)**	**Total non-current liabilities**			**(3,016)**
78,701	**78,485**	**Assets less liabilities**			**91,249**
		Taxpayers' Equity			
44,528	44,008	General fund	SOCTE		54,871
34,173	34,477	Revaluation reserve	SOCTE		36,378
0	0	Donated asset reserve	SOCTE		0
79,701	**78,485**	**Total taxpayers' equity**			**91,249**

Adopted by the Board on 28 June 2012

Director of Finance

Chief Executive

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.

BORDERS HEALTH BOARD

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2012

2011 £'000		Note	£'000	£'000
	Cash flows from operating activities			
(199,436)	Net operating cost	SOCNE	(201,168)	
4,620	Adjustments for non-cash transactions	3	3,618	
1,771	(Increase) / decrease in trade and other receivables	17	378	
(142)	(Increase) / decrease in inventories	17	16	
3,265	Increase / (decrease) in trade and other payables	17	(8,273)	
(3,852)	Increase / (decrease) in provisions	17	(269)	
(193,774)	**Net cash outflow from operating activities**			**(205,698)**
	Cash flows from investing activities			
(5,342)	Purchase of property, plant and equipment		(4,603)	
(189)	Purchase of intangible assets		0	
228	Proceeds of disposal of property, plant and equipment		243	
(5,303)	**Net cash outflow from investing activities**			**(4,360)**
	Cash flows from financing activities			
199,153	Funding	SOCTE	210,131	
(524)	Movement in general fund working capital	SOCTE	(844)	
198,629	Cash drawn down		209,287	
(76)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(73)	
198,553	**Net Financing**		**209,214**	
(524)	**Net Increase / (decrease) in cash and cash equivalents in the period**			(844)
1,583	**Cash and cash equivalents at the beginning of the period**			1,059
1,059	**Cash and cash equivalents at the end of the period**			**215**
	Reconciliation of net cash flow to movement in net debt/cash			
(524)	Increase/(decrease) in cash in year			(844)
1,583	Net debt/cash at 1 April	14		1,059
1,059	**Net debt/cash at 31 March**	14		**215**

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.

BORDERS HEALTH BOARD

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Total Reserves £'000
Balance at 31 March 2011		44,008	34,477	0	78,485
Prior year adjustments for changes in accounting policy and material errors	24	0	0	0	0
Restated balance at 1 April 2011		44,008	34,477	0	78,485
Changes in taxpayers' equity for 2011/12					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	3,681	0	3,681
Impairment of property, plant and equipment	11	0	(624)	0	(624)
Revaluation & impairments taken to operating costs	3	0	624	0	624
Transfers between reserves		1,780	(1,780)	1	0
Other non cash costs - Provisions		120	0	0	120
Net operating cost for the year		(201,168)	0	0	(201,168)
Total recognised income and expense for 2011/12		(199,268)	1,901	0	(197,367)
Funding:					
Drawn down		209,287	0	0	209,287
Movement in General Fund (Creditor) / Debtor		844	0	0	844
Balance at 31 March 2012	BS	**54,871**	**36,378**	**0**	**91,249**

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Total Reserves £'000
Balance at 31 March 2010		42,161	34,029	2,511	78,701
Prior year adjustments for changes in accounting policy and material errors	24	2,367	144	(2,511)	0
Restated balance at 1 April 2010		44,528	34,173	0	78,701
Changes in taxpayers' equity for 2010/11					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	251	0	251
Impairment of property, plant and equipment	11	0	(480)	0	(480)
Revaluation & impairments taken to operating costs	3	0	325	0	325
Transfers between reserves		(208)	208	0	0
Capital Charges		(29)	0	0	(29)
Net operating cost for the year		(199,436)	0	0	(199,436)
Total recognised income and expense for 2010/11		(199,673)	304	0	(199,369)
Funding:					
Drawn down		198,629	0	0	198,629
Movement in General Fund (Creditor) / Debtor		524	0	0	524
Balance at 31 March 2011	BS	**44,008**	**34,477**	**0**	**78,485**

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.

BORDERS HEALTH BOARD

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 below.

2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the "The Difference" endowment funds for which the Health Board is a corporate trustee. Transactions between the Board and the "The Difference" are disclosed as related party transactions, where appropriate, in note 26 to the financial statements."

3. Prior Year Adjustments

As indicated in Chapter 11 of the 2010-11 FReM the financial regime of health bodies has been amended to remove the Cost of Capital as from 1st April 2010. This is considered to be a voluntary change in accounting policy for which the following disclosure is required:

- nature (change in NHS financial regime removing Cost of Capital charge.)
- reasons (properly reflect revised costs under current financial regime.)
- Quantification (the cost of capital charge of £2.581m for 2009/10 has been removed from the comparative figures in the Statement of Comprehensive Net Expenditure, Balance Sheet, Cash Flow Statement and Statement of Changes in Taxpayers Equity together with Notes 3, 4,and 6.

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 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 Property, Plant & Equipment 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 operating cost statement 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 Property, Plant and Equipment in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.

2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.

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

7.2 Measurement

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal 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 price indices issued by SGHD. 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).

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

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

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

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the operating cost statement. 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 operating cost statement, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Decreases in asset values and 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 operating cost statement.

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

7.3 Depreciation

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

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

1) Freehold land is considered to have an infinite life and is not depreciated.

2) Assets in the course of construction and residual interests in 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.

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

Further to the extended asset lives exercise for financial year 2010/11, work has continued into 2011/12, led by NHS Tayside, which saw a review of further components of Property, Plant & Equipment. Following completion of this work, NHS Borders adopted the recommended methodology for the further components of its estate ensuring that the pattern of depreciation faithfully reflects the economic consumption of the asset, as per IAS 16 requirements. The impact of this revised methodology was a reduction of £540k to operating costs in 2011/12.

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 operating cost statement, in which case they are recognised in income.

Decreases in asset values and 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 operating cost statement.

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:

1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.

2) Software. Amortised over their expected useful life

3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.

4) Other intangible assets. Amortised over their expected useful life.

5) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

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;

  - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and

- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the current full replacement cost of the asset. Donated assets are accounted for in accordance with ISA16 in the same way as other assets of the same type.

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 Operating Cost Statement. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

12. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to interest payable in the Operating Cost Statement.

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset

is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the OCS 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 SGHD. Where the Health Board has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHD.

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the operating cost statement represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency.

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 operating cost statement 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 an annual limit. Costs above this limit are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

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

19. Related Party Transactions

Material related party transactions are disclosed in the note 26 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. 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 balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

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 18 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 18, 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

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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 operating cost statement.

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

(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 are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

(c) Available-for-sale financial assets

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

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

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an

indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the operating cost statement. Impairment losses recognised in the operating cost statement on equity instruments are not reversed through the income statement.

Financial Liabilities

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

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

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

(b) Other financial liabilities

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

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

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

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

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

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

(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 notes 4 to 7 for Hospital & Community, Family Health and Other Service and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

26. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Office of the Paymaster General and other short-term highly liquid investments with original

maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 balance sheet date:

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

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

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

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 28 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

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.

Equal Pay Claims: NHS Borders has received 34 claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. NHS Borders has used the advice from the NHS Scotland Central Legal Office and Equal Pay Unit. It is not practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that any such estimate would be likely to be misleading.

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. 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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2012

2. (a) STAFF NUMBERS AND COSTS

2011 £'000		Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £000s	Other Staff £'000	Outward Secondees £'000	Total £'000
	STAFF COSTS							
86,124	Salaries and wages	674	102	84,777	0	0	(404)	85,149
6,335	Social security costs	79	5	6,357	0	0	(45)	6,396
10,655	NHS scheme employers' costs	88	0	10,469	0	0	(51)	10,506
0	Other employers' pension costs	0	0	0	0	0	0	0
3	Inward secondees	0	0	0	82	0	0	82
1,572	Agency staff	0	0	0	0	1,501	0	1,501
104,689		841	107	101,603	82	1,501	(500)	103,634
43	Compensation for loss of office or early retirement	0	0	188	0	0		188
0	Pensions to former board members					0		0
104,732	**TOTAL**	**841**	**107**	**101,791**	**82**	**1,501**	**(500)**	**103,822**
206	Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							238

ANNUAL MEAN	STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	ANNUAL MEAN
29.2	Administration Costs	31.7
2551.9	Hospital and Community Services	2475
80.1	Non Clinical Services	76.8
0.1	Inward Secondees	2.8
54.5	Agency staff	52.5
(5.2)	Outward Secondees	(5.2)
2,710.6	**Board Total Average Staff**	**2,633.6**
0.0	Disabled staff	0.0
3.3	The total number of staff engaged directly on capital projects, inlcluded in Staff Numbers above and charged to expenditure was:	4.0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in: note 22

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

2011 Number		Number
	Other employees whose remuneration fell within the following ranges:	
	Clinicians	
45	£50,001 to £60,000	52
18	£60,001 to £70,000	17
19	£70,001 to £80,000	17
17	£80,001 to £90,000	21
6	£90,001 to £100,000	11
13	£100,001 to £110,000	8
11	£110,001 to £120,000	13
9	£120,001 to £130,000	9
4	£130,001 to £140,000	6
4	£140,001 to £150,000	4
8	£150,000 to £160,000	6
2	£160,001 to £170,000	3
2	£170,001 to £180,000	1
0	£180,001 to £190,000	0
0	£190,001 to £200,000	0
1	£200,001 and above	1
	Other	
10	£50,001 to £60,000	8
9	£60,001 to £70,000	9
1	£70,001 to £ 80,000	0
0	£80,001 to £ 90,000	0

3. OTHER OPERATING COSTS

2011 £'000		Note	£'000
	Expenditure Not Paid In Cash		
4,214	Depreciation	11	3,793
58	Amortisation	10	85
164	Depreciation Donated Assets	11b	147
480	Impairments on property, plant & equipment charged to SOCNE	11	519
(155)	Revaluation gains on property, plant & equipment charged to SOCNE	11	0
0	Loss on remeasurement of non-current assets held for sale	29	105
(112)	Funding of Donated Assets		(1,137)
0	Loss/(Profit) on disposal of property, plant and equipment		(14)
(29)	Capital Charges		0
0	Other non cash costs - Provisions		120
4,620	**Total Expenditure Not Paid In Cash**	CFS	**3,618**
	Statutory Audit		
214	External auditor's remuneration and expenses		184

The External Auditor did not undertake any non-audit work for the Board during the financial year 2011-12

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2011 £'000	BY PROVIDER		£'000
136,550	Treatment in Board area of NHSScotland Patients		132,851
21,002	Other NHSScotland Bodies		23,538
1,200	Health Bodies outside Scotland		1,211
89	Primary care bodies		0
4,207	Private sector		3,799
	Community Care		
2,621	Resource Transfer		2,633
767	Contributions to Voluntary Bodies and Charities		522
166,436	**Total NHSScotland Patients**		**164,554**
394	Treatment of UK residents based outside Scotland		627
166,830	**Total Hospital & Community Health Service**	SOCNE	**165,181**

5. FAMILY HEALTH SERVICE EXPENDITURE

2011 £'000			Unified Budget £'000	Non Disc £'000	Total £'000
15,678	Primary Medical Services		15,887	0	15,887
24,272	Pharmaceutical Services		20,694	3,754	24,448
7,381	General Dental Services		46	7,836	7,882
1,444	General Ophthalmic Services		7	1,531	1,538
48,775	**Total**	SOCNE	**36,634**	**13,121**	**49,755**

6. ADMINISTRATION COSTS

2011 £'000			£'000
1,010	Board members' remuneration	Note 2 (a)	948
72	Administration of Board Meetings and Committees		65
387	Corporate Governance and Statutory Reporting		374
325	Health Planning, Commissioning and Performance Reporting		458
42	Treasury Management and Financial Planning		62
44	Public Relations		45
67	Other		83
1,947	**Total administration costs**	SOCNE	**2,035**

7. OTHER NON CLINICAL SERVICES

2011 £'000			£'000
2	Closed hospital charges		1
(353)	Compensation payments - Clincial		(26)
20	Compensation payments - Other		(225)
(666)	Pension enhancement & redundancy		(18)
503	Patients' Travel Attending Hospitals		392
747	Health Promotion		685
1,363	Public Health		1,031
20	Emergency Planning		61
69	Post Graduate Medical Education		45
537	Other		658
2,242	**Total Other Non Clinical Services**	SOCNE	**2,604**

8. OPERATING INCOME

2011 £'000			£'000
	HCH Income		
	NHSScotland Bodies		
7,348	Boards		6,990
3,769	NHS Non-Scottish Bodies		3,780
	Non NHS		
26	Private Patients		36
9	Compensation Income		244
3,380	Other HCH income		4,026
14,532	**Total HCH Income**	SOCNE	**15,076**
	FHS Income		
453	Unified		9
	Non Discretionary		
1,214	General Dental Services		1,210
1	General Ophthalmic Services		1
1,668	**Total FHS Income**	SOCNE	**1,220**
	Other Operating Income		
1	Profit on disposal of non current assets		14
112	Donated Asset Additions		1,137
4,045	Other		960
4,158	**Total Other Operating Income**	SOCNE	**2,111**
20,358	**Total Income**		**18,407**
7,348	**Of the above, the amount derived from NHS Bodies is**		**6,990**

9. ANALYSIS OF CAPITAL EXPENDITURE

2011 £'000		Note	£'000
	EXPENDITURE		
189	Acquisition of Intangible Assets	10	0
5,773	Acquisition of Property, plant and equipment	11	3,954
112	Donated Asset Additions	11b	1,137
6,074	**Gross Capital Expenditure**		**5,091**
	INCOME		
3	Net book value of disposal of Property, plant and equipment	11a	0
225	Value of disposal of Non-Current Assets held for sale	11c	229
112	Donated Asset Income		1,137
340	**Capital Income**		**1,366**
5,734	**Net Capital Expenditure**		**3,725**
5,734	Core capital expenditure included above		3,725
5,739	Core Capital Resource Limit		3,731
5	**Saving/(excess) against Core Capital Resource Limit**		**6**
0	Non Core capital expenditure included above		0
0	Non Core Capital Resource Limit		0
0	**Saving/(excess) against Non Core Capital Resource Limit**		**0**
5,734	Total Capital Expenditure		3,725
5,739	Total Capital Resouce Limit		3,731
5	**Saving/(excess) against Total Capital Resource Limit**		**6**

10. INTANGIBLE ASSETS

		Software Licences £'000	Information technology - software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2011		343	204	547
Additions		0	0	0
At 31st March 2012		**343**	**204**	**547**
Amortisation				
As at 1st April 2011		114	70	184
Provided during the year		33	52	85
At 31st March 2012		**147**	**122**	**269**
Net Book Value at 1st April 2011		**229**	**134**	**363**
Net Book Value at 31 March 2012	BS	**196**	**82**	**278**

INTANGIBLE ASSETS - PRIOR YEAR

		Software Licences £'000	Information technology - software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2010		208	150	358
Additions		135	54	189
At 31st March 2011		**343**	**204**	**547**
Amortisation				
As at 1st April 2010		81	45	126
Provided during the year		33	25	58
At 31st March 2011		**114**	**70**	**184**
Net Book Value at 1st April 2010		**127**	**105**	**232**
Net Book Value at 31 March 2011	BS	**229**	**134**	**363**

BORDERS HEALTH BOARD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2012

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

		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									
At 1 April 2011		4,225	93,593	1,270	13,201	3,831	842	3,015	119,977
Additions		0	148	0	665	246	0	2,895	3,954
Completions		0	2,011	0	30	0	0	(2,041)	0
Transfers (to)/from non-current assets held for sale		0	(693)	0	0	0	0	0	(693)
Revaluation		86	(1,866)	0	0	0	0	0	(1,780)
Impairment Charge		0	(533)	0	0	0	0	0	(533)
Disposals		0	0	0	0	0	0	0	0
At 31 March 2012		**4,311**	**92,660**	**1,270**	**13,896**	**4,077**	**842**	**3,869**	**120,925**
Depreciation									
At 1 April 2011		0	3,423	992	9,224	1,965	405	0	16,009
Provided during the year		0	1,995	58	1,184	494	62	0	3,793
Revaluation		0	(5,418)	0	0	0	0	0	(5,418)
Disposals		0	0	0	0	0	0	0	0
At 31 March 2012		**0**	**0**	**1,050**	**10,408**	**2,459**	**467**	**0**	**14,384**
Net Book Value at 1 April 2011		**4,225**	**90,170**	**278**	**3,977**	**1,866**	**437**	**3,015**	**103,968**
Net Book Value at 31 March 2012	BS	**4,311**	**92,660**	**220**	**3,488**	**1,618**	**375**	**3,869**	**106,541**
Open Market Value of Land Included Above		**4,311**	**0**						
Asset financing:									
Owned		4,311	91,405	220	3,488	1,618	375	3,869	105,286
Finance leased		0	1,255	0	0	0	0	0	1,255
Net Book Value at 31 March 2012		**4,311**	**92,660**	**220**	**3,488**	**1,618**	**375**	**3,869**	**106,541**

PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - PRIOR YEAR

		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									
At 1 April 2010		4,497	92,631	1,225	12,151	2,948	696	846	114,994
Additions		0	995	75	1,141	782	146	2,634	5,773
Completions		0	364	0	0	101	0	(465)	0
Transfers (to)/from non-current assets held for sale		(360)	0	0	0	0	0	0	(360)
Revaluation		88	83	0	3	0	0	0	174
Impairment Charge		0	(480)	0	0	0	0	0	(480)
Disposals		0	0	(30)	(94)	0	0	0	(124)
At 31 March 2011		**4,225**	**93,593**	**1,270**	**13,201**	**3,831**	**842**	**3,015**	**119,977**
Depreciation									
At 1 April 2010		3	972	963	8,150	1,541	364	0	11,993
Provided during the year		0	2,525	59	1,165	424	41	0	4,214
Revaluation		(3)	(74)	0	0	0	0	0	(77)
Disposals		0	0	(30)	(91)	0	0	0	(121)
At 31 March 2011		**0**	**3,423**	**992**	**9,224**	**1,965**	**405**	**0**	**16,009**
Net Book Value at 1 April 2010		**4,494**	**91,659**	**262**	**4,001**	**1,407**	**332**	**846**	**103,001**
Net Book Value at 31 March 2011	BS	**4,225**	**90,170**	**278**	**3,977**	**1,866**	**437**	**3,015**	**103,968**
Open Market Value of Land Included Above		**4,225**	**0**						
Asset financing:									
Owned		4,225	88,838	278	3,977	1,866	437	3,015	102,636
Finance leased		0	1,332	0	0	0	0	0	1,332
Net Book Value at 31 March 2011		**4,225**	**90,170**	**278**	**3,977**	**1,866**	**437**	**3,015**	**103,968**

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

		Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2011		2,030	1,668	83	3,781
Additions		0	100	1,037	1,137
Completions		0	83	(83)	0
Revaluation		(145)	0	0	(145)
At 31 March 2012		**1,885**	**1,851**	**1,037**	**4,773**
Depreciation					
At 1 April 2011		149	1,396	0	1,545
Provided during the year		39	108	0	147
Revaluation		(188)	0	0	(188)
At 31 March 2012		**0**	**1,504**	**0**	**1,504**
Net book value at 1 April 2011		**1,881**	**272**	**83**	**2,236**
Net book value at 31 March 2012	BS	**1,885**	**347**	**1,037**	**3,269**
Open Market Value of Land Included Above		0			
Asset financing:					
Owned		1,885	347	1,037	3,269
Net Book Value at 31 March 2012		**1,885**	**347**	**1,037**	**3,269**

PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR

		Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2010		2,030	1,639	0	3,669
Additions		0	29	83	112
At 31 March 2011		**2,030**	**1,668**	**83**	**3,781**
Depreciation					
At 1 April 2010		113	1,268	0	1,381
Provided during the year		36	128	0	164
At 31 March 2011		**149**	**1,396**	**0**	**1,545**
Net book value at 1 April 2010		**1,917**	**371**	**0**	**2,288**
Net book value at 31 March 2011	BS	**1,881**	**272**	**83**	**2,236**
Open Market Value of Land Included Above		0			
Asset financing:					
Owned		1,881	272	83	2,236
Net Book Value at 31 March 2011		**1,881**	**272**	**83**	**2,236**

11 (c). ASSETS HELD FOR SALE

The following assets related to NHS Borders have been presented as held for sale following the approval for sale by management of the Board. The completion date for sale is expected to be within 12 months from 31st March 2012:

* 6 Whitefield Court, St Boswells
* 21 The Crofts, Ayton
* Priorsford, Peebles
* Orchard Park, St Boswells
* Eildonburn

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2011		359	**359**
Transfers (to)/from property, plant and equipment	11a	693	**693**
Gain or losses recognised on remeasurement of non-current assets held for sale		(91)	**(91)**
Disposals for non-current assets held for sale		(229)	**(229)**
As at 31 March 2012	BS	732	732

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2010		224	**224**
Transfers (to)/from property, plant and equipment		360	**360**
Disposals for non-current assets held for sale		(225)	**(225)**
As at 31 March 2011	BS	359	359

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2011 £'000			£'000
	Net book value of property, plant and equipment at 31 March		
103,968	Purchased	11a	106,541
2,236	Donated	11b	3,269
106,204	**Total**	BS	**109,810**
0	Net book value related to land valued at open market value at 31 March		160
0	Net book value related to buildings valued at open market value at 31 March		415
	Total value of assets held under:		
1,332	Finance Leases		1,255
	Total depreciation charged in respect of assets held under:		
1,214	Finance leases		1,292

Land and buildings were fully revalued by James Barr at 31 March 2012 on the basis of fair value (market value or depreciated replacement cost where appropriate).

The net impact was an increase in value for Purchased Assets of £3.681m which was credited to the revaluation reserve.

12. INVENTORIES

2010 £'000	2011 £'000		£'000
911	1,053	Finished Goods	1,037
911	**1,053**	**Total Inventories**	BS **1,037**

13. TRADE AND OTHER RECEIVABLES

2010 £'000	2011 £'000		Note	£'000
		Receivables due within one year		
		NHSScotland		
231	84	SGHD		257
1,600	886	Boards		2031
1,831	**970**	**Total NHSScotland Receivables**		**2,288**
1,204	1,785	NHS Non-Scottish Bodies		127
161	180	VAT recoverable		163
1,195	855	Prepayments		1,201
0	3,054	Accrued Income		1,784
1,320	0	Other Receivables		0
468	418	Other Public Sector Bodies		1,382
6,179	**7,262**	**Total Receivables due within one year**	BS	**6,945**
		Receivables due after more than one year		
		NHSScotland		
6,515	3,661	Reimbursement of Provisions		3,600
6,515	**3,661**	**Total Receivables due after more than one year**	BS	**3,600**
12,694	**10,923**	**TOTAL RECEIVABLES**		**10,545**
69	68	The total receivables figure above includes a provision for impairments of :		121

Movements on the provision for impairment of receivables are as follows:

2010/11 £'000		2011/12 £'000
69	At 1 April	68
7	Provision for impairment	56
(8)	Receivables written off during the year as uncollectible	(3)
68	At 31 March	**121**

13. TRADE AND OTHER RECEIVABLES (continued)

As of 31 March 2012, receivables with a carrying value of £417,082.62 (2011: £361,265.15) were impaired and provided for. The amount of the provision was £121,261 (2011: £67,697) The aging of these receivables is as follows:

2011 £'000		£'000
9	3 to 6 months past due	39
59	Over 6 months past due	82
68		**121**

The receivables assessed as individually impaired were mainly outstanding claims under the NHS Injury Cost Recovery Scheme 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 2012, receivables with a carrying value of £940,469.54 (2011: £884,487.97) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2011 £'000		£'000
694	Up to 3 months past due	771
164	3 to 6 months past due	18
27	Over 6 months past due	152
885		**940**

The receivables assessed as past due but not impaired were mainly for inter-NHS trading and balances on agreed instalment schedules and there is no history of default from these customers recently. Total amount of £940k of receivables not impaired, includes a total amount of £674k with the Scottish Borders Council.

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 receivable. The NHS Board does not hold any collateral as security.

2011 £'000	The carrying amount of receivables are denominated in the following currencies:	£'000
10,923	Pounds	10,545
10,923		**10,545**

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

The fair value of long term other receivables is £3.600m (2010/11:£3.661m)

Pension liabities are discounted at 2.8% (2010/11: 2.9%)

14. CASH AND CASH EQUIVALENTS

	Note	At 01/04/11 £'000	Cash Flow £'000	At 31/03/12 £'000
Government Banking Service account balance		1,050	(844)	206
Cash at bank and in hand		9	0	9
Total cash and cash equivalents - balance sheet	BS	**1,059**	**(844)**	**215**
Total cash - cash flow statement		**1,059**	**(844)**	**215**
		CFS		CFS

	Note	At 01/04/10 £'000	Cash Flow £'000	At 31/03/11 £'000
Government Banking Service account balance		1,575	(525)	1,050
Cash at bank and in hand		8	1	9
Total cash and cash equivalents - balance sheet	BS	**1,583**	**(524)**	**1,059**
Total cash - cash flow statement		**1,583**	**(524)**	**1,059**
		CFS		CFS

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

15. TRADE AND OTHER PAYABLES

2010 £'000	2011 £'000		Note	£'000
		Payables due within one year		
		NHSScotland		
7,147	8,002	Boards		1,968
7,147	**8,002**	**Total NHSScotland Payables**		**1,968**
66	16	NHS Non-Scottish Bodies		1
1,583	1,059	General Fund Payable		215
6,192	6,926	FHS Practitioners		6,289
1,278	1,782	Trade Payables		2,619
6,558	7,925	Accruals		4,673
505	257	Deferred income		0
986	1,018	Payments received on account		801
75	74	Net obligations under Finance Leases	21	77
2,189	2,169	Income tax and social security		2,237
1,319	1,322	Superannuation		1,331
516	1,148	Other payables		968
1,871	1,909	Other Significant Payables [Holiday Pay Accruals]		1,947
1,310	1,162	Other Significant Payables [Other Public Sector Bodies]		1,885
31,595	**34,769**	**Total Payables due within one year**	BS	**25,011**
		Payables due after more than one year		
309	317	Net obligations under Finance Leases due within 5 years	21	325
1,246	1,163	Net obligations under Finance Leases due after 5 years	21	1,079
61	58	Other [Prepayment of Charges]		53
1,616	**1,538**	**Total Payables due after more than one year**	BS	**1,457**
33,211	**36,307**	**TOTAL PAYABLES**		**26,468**

2011 £'000	Borrowings included above comprise:	£'000
1,554	Finance Leases	1,481
1,554		**1,481**

Carrying Amount £'000	The carrying amount and fair value of the non-current borrowings are as follows	Carrying Amount £'000
	Carrying amount	
1,480	Finance Leases	1,404
1,480		**1,404**

Fair value £'000		Fair value £'000
	Fair value	
1,480	Finance Leases	1,404
1,480		**1,404**

The carrying amount of payables approximates their fair value.

£'000	The carrying amount of payables are denominated in the following currencies:	£'000
36,307	Pounds	26,468
36,307		**26,468**

16. PROVISIONS

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	2011-12 Total £'000	
At 1 April 2011	1,414	3,530	225	5,169	
Arising during the year	105	205	0	310	
Utilised during the year	(123)	(87)	(22)	(232)	
Unwinding of discount	0	0	0	0	
Reversed unutilised	0	(144)	(203)	(347)	
At 31 March 2012	**1,396**	**3,504**	**0**	**4,900**	BS

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	2011-12 Total £'000	
Current	122	3,219	0	3,341	BS
Non-current	1,274	285	0	1,559	BS
At 31 March 2012	**1,396**	**3,504**	**0**	**4,900**	

16. PROVISIONS (continued)

PROVISIONS - PRIOR YEAR	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	2010-11 Total £'000	
At 1 April 2010	2,080	6,737	204	9,021	
Arising during the year	(255)	177	72	(6)	
Utilised during the year	(411)	(337)	(45)	(793)	
Unwinding of discount	0	0	0	0	
Reversed unutilised	0	(3,047)	(6)	(3,053)	
At 31 March 2011	**1,414**	**3,530**	**225**	**5,169**	BS

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

Analysis of expected timing of discounted flows

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	Total £'000	
Current	121	160	225	506	BS
Non-current	1,293	3,370	0	4,663	BS
At 31 March 2011	**1,414**	**3,530**	**225**	**5,169**	

	Pensions and similar obligations £'000	Clinical & Medical £'000	Other £'000	Total £'000	
Current	125	166	180	471	BS
Non-current	1,955	6,571	24	8,550	BS
At 31 March 2010	**2,080**	**6,737**	**204**	**9,021**	

Pensions and similar obligations
The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical & Medical
The Board holds a provision to meet costs of all outstanding and potential cliical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. Claims assessed as 'Category 3' are deemed most likely and are provided in full, those in 'Category 2' are assessed on an individual basis and those in 'Category 1' as nil. All 'Category 2' claims at 31 March 2012 have been individually assessed and provided for in full. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

Other
In 2010/11 the Board held provision for potential future staff departures and for non-clincial staff claims. The 2010/11 sum has been reversed unutilised and therefore as at 31 March 2012, the Board holds no liability within this category.

17. MOVEMENT ON WORKING CAPITAL BALANCES

2011 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	Net Movement £'000
	INVENTORIES				
(142)	Balance Sheet	12	1,053	1,037	
(142)	**Net Decrease/(Increase)**				**16**
	TRADE AND OTHER RECEIVABLES				
(1,083)	Due within one year	13	7,262	6,945	
2,854	Due after more than one year	13	3,661	3,600	
			10,293	10,545	
1,771	**Net Decrease/(Increase)**				**378**
	TRADE AND OTHER PAYABLES				
3,174	Due within one year	15	34,769	25,011	
(78)	Due after more than one year	15	1,538	1,457	
(431)	Less: Property, Plant & Equipment (Capital) included in above		(1,176)	(527)	
524	Less: General Fund Creditor included in above	15	(1,059)	(215)	
76	Less: Lease and PFI Creditors included in above	15	(1,554)	(1,481)	
			32,518	24,245	
3,265	**Net Decrease/(Increase)**				**(8,273)**
	PROVISIONS				
(3,852)	Balance Sheet	16	5,169	4,900	
(3,852)	**Net (Decrease)/Increase**				**(269)**
1,042	**NET MOVEMENT (Decrease)/Increase**	CFS			**(8,148)**

18. CONTINGENT LIABILITIES

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

2011 £'000	Nature	Value £'000
235	Clinical and medical compensation payments	762
25	Employer's liability	110
0	Legal Claims for Equal Pay Disputes	0

NHS Borders has received 18 claims under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:
The claimant's job has been rated as being equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.

Their comparator is currently paid or has been paid more than them.

They claim equal pay, back pay and interst (back pay is claimed for the statutory maximum of five years)
•The claimant's job has been rated as being of equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.

•Their comparator is currently paid or has been paid more than them.

•They claim equal pay, back pay and interest (back pay is claimed for the statutory maximum of five years).

Claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have.
The NHS Scotland Central Legal Office and Equal Pay Unit are continuing to monitor the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.
They continue to advise that it is not possible to provide any financial quantification at this stage because of the lack of information available.
On the basis of their view the appropriate accounting treatment is to disclose the claims as a contingent liability that is not possible to quantify.

260	TOTAL CONTINGENT LIABILITIES	872

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no post balance sheet events after the reporting period

20. COMMITMENTS

2011	Capital Commitments	Property, plant and equipment:	Total
£'000	The Board has the following Capital Commitments which have not been included for in the accounts	£'000	£'000
	Contracted		
44	Borders General Hospital Renal Development	0	0
2,080	Health Centre Modernisation	1,638	1,638
69	Cauldshiels Reconfiguration	0	0
0	Borders General Hospital Accident & Emergency Department	258	258
0	Tweeddale Hub	233	233
2,193	**Total**	**2,129**	**2,129**
	Authorised but not Contracted		
350	Rolling Replacement Programmes	590	590
141	Medical Equipment	200	200
3,273	Integrated Health Strategy	0	0
0	Statutory compliance and backlog maintenance property expenditure	350	350
0	Galavale Site Reconfiguration	253	253
0	Huntlyburn HSE	103	103
0	Efficiency Programme / Estates Rationalisation / Service Redesign	502	502
3,764	**Total**	**1,998**	**1,998**

21. COMMITMENTS UNDER LEASES

Operating Leases

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

2011 £'000		£'000
	Obligations under operating leases comprise:	
	Land	
55	Not later than one year	52
221	Later than one year, not later than five years	197
708	Later than five years	654
	Buildings	
49	Not later than one year	24
142	Later than one year, not later than five years	0
20	Later than five years	0
	Other	
487	Not later than one year	567
442	Later than one year, not later than five years	325
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
790	Hire of equipment (including vehicles)	815
64	Other operating leases	1
854	**Total**	**816**

Finance Leases

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

2011 £'000			£'000
	Obligations under Finance leases comprise:		
	Buildings		
359	Rentals due within one year	15	368
1,530	Rentals due between two and five years (inclusive)	15	1,568
5,611	Rentals due after five years	15	5,205
7,500			7,141
(5,946)	Less interest element		(5,660)
1,554			**1,481**
	Other		
0	Rentals due within one year	15	0
0	Rentals due between two and five years (inclusive)	15	0
0	Rentals due after five years	15	0
0			0
0	Less interest element		0
0			**0**

This total net obligation under finance leases is analysed in note 15 (trade and other payables)

22. PENSION COSTS

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

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The NHS board will therefore account for its pension costs on a defined contribution basis as permitted by IAS 19.

For the current year, normal employer contributions of £10,506,000 were payable to the SPPA (prior year £10,655,000) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £123,000 (prior year £411,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be met by future contributions from employing authorities.

Provisions/Liabilities/Pre-payments amounting to £1,396,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

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

Existing scheme:

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

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

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

New 2008 arrangements:

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

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

	2011-12 £'000	2010-11 £'000
Pension cost charge for the year	10,506	10,655
Additional Costs arising from early retirement	123	411
Provisions/Liabiltities/Pre-payments included in the Balance Sheet	1,396	1,414

23. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

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

		Dr. £000	Cr. £000
Adjustment 1	Elimination of Donated Asset Reserve 31st March 2011		
	General Fund		2,316
	Donated Asset Reserve	2,460	
	Revaluation Reserve		144
Adjustment 2	Funding of Donated Asset Depreciation 2011/12		
	Income		112
	Adjustment for Non-Cash Transactions	112	
Adjustment 3	Donated Asset Depreciation 2011/12		
	Hospital and Community Healthcare Expenditure	164	
	Adjustment for Non-Cash Transactions		164

BORDERS HEALTH BOARD
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FOR THE YEAR ENDED 31 MARCH 2012

24. RESTATED SOCNE

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Clinical Services Costs					
Hospital and Community	166,666	0	0	164	166,830
Less: Hospital and Community Income	14,532	0	0	0	14,532
	152,134	**0**	**0**	**0**	**152,298**
Family Health Services	48,775	0	0	0	48,775
Less: Family Health Services Income	1,668	0	0	0	1,668
	47,107	**0**	**0**	**0**	**47,107**
Total Clinical Services Costs	**199,241**	**0**	**0**	**164**	**199,405**
Administration Costs	1,947	0	0	0	1,947
Less: Administration Income	0	0	0	0	0
	1,947	**0**	**0**	**0**	**1,947**
Other Non Clinical Services	2,242	0	0	0	2,242
Less: Other Operating Income	4,046	0	112	0	4,158
	(1,804)	0	(112)	0	(1,916)
Net Operating Costs	**199,384**	**0**	**(112)**	**164**	**199,436**

24. RESTATED BALANCE SHEET	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Non-current assets					
Property, plant and equipment	106,204	0	0	0	106,204
Intangible assets	363	0	0	0	363
Trade and other receivables	3,661	0	0	0	3,661
	110,228	0	0	0	110,228
CURRENT ASSETS					
Inventories	1,053	0	0	0	1,053
Trade and other receivables	7,262	0	0	0	7,262
Cash and cash equivalents	1,059	0	0	0	1,059
Assets classified as held for sale	359	0	0	0	359
	9,733	0	0	0	9,733
TOTAL ASSETS	**119,961**	**0**	**0**	**0**	**119,961**
CURRENT LIABILITIES					
Provisions	(506)	0	0	0	(506)
Financial liabilities:					
Trade and other payables	(34,769)	0	0	0	(34,769)
TOTAL CURRENT LIABILITIES	**(35,275)**	0	0	0	**(35,275)**
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	**84,686**	**0**	**0**	**0**	**84,686**
Non-current liabilities					
Provisions	(4,663)	**0**	**0**	**0**	(4,663)
Financial liabilities:					
Trade and other payables	(1,538)	0	0	0	(1,538)
Total non-current liabilities	**(6,201)**	0	0	0	**(6,201)**
Assets less liabilities	**78,845**	**0**	**0**	**0**	**78,845**
TAXPAYERS' EQUITY					
General Fund	41,692	2,316	0	0	44,008
Revaluation Reserve	34,333	144	0	0	34,477
Donated Asset Reserve	2,460	(2,460)	0	0	0
	78,485	**0**	**0**	**0**	**78,485**

24. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	These Accounts £'000
Cash flows from operating activities					
Net operating cost	(199,384)	0	112	(164)	(199,436)
Adjustments for non-cash transactions	4,568	0	(112)	164	4,620
(Increase) / decrease in trade and other receivables	1,771	0	0	0	1,771
(Increase) / decrease in inventories	(142)	0	0	0	(142)
Increase / (decrease) in trade and other payables	3,265	0	0	0	3,265
Increase / (decrease) in provisions	(3,852)	0	0	0	(3,852)
Net cash outflow from operating activities	**(193,774)**	0	0	0	**(193,774)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(5,342)	0	0	0	(5,342)
Purchase of intangible assets	(189)	0	0	0	(189)
Proceeds of disposal of intangible assets	228	0	0	0	228
Net cash outflow from investing activities	**(5,303)**	**0**	**0**	**0**	**(5,303)**
Cash flows from financing activities					
Funding	199,153	0	0	0	199,153
Movement in general fund working capital	(524)	0	0	0	(524)
Interest element of finance leases and on-balance sheet PFI/PPP contracts	(76)	0	0	0	(76)
Net Financing	**198,553**	**0**	**0**	**0**	**198,553**
Net Increase / (decrease) in cash and cash equivalents in the period	**(524)**	**0**	**0**	**0**	**(524)**
Cash and cash equivalents at the beginning of the period	1,583	0	0	0	1,583
Cash and cash equivalents at the end of the period	**1,059**	**0**	**0**	**0**	**1,059**
Reconciliation of net cash flow to movement in net debt/cash					
Increase/(decrease) in cash in year	**(524)**	**0**	**0**	**0**	**(524)**
Net debt/cash at 1 April	1,583	0	0	0	1,583
Net debt/cash at 31 March	**1,059**	**0**	**0**	**0**	**1,059**

25. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

AT 31 MARCH 2012 Assets per balance sheet	Note	Loans and Receivables £'000	Total £'000
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	3,293	3,293
Cash and cash equivalents	14	215	215
		3,508	**3,508**

AT 31 MARCH 2011 Assets per balance sheet	Note	Loans and Receivables £'000	Total £'000
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	5,257	5,257
Cash and cash equivalents	14	1,059	1,059
		6,316	**6,316**

Financial Liabilities

AT 31 MARCH 2012 Liabilities per balance sheet	Note	Other financial liabilities £'000	Total £'000
Finance lease liabilities	15	1,481	1,481
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	15	19,398	19,398
		20,879	**20,879**

AT 31 MARCH 2011 Liabilities per balance sheet	Note	Other financial liabilities £'000	Total £'000
Finance lease liabilities	15	1,554	1,554
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	15	22,945	22,945
		24,499	**24,499**

25. FINANCIAL INSTRUMENTS (continued)

b FINANCIAL RISK FACTORS

Exposure to Risk

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

Credit risk - the possibility that other parties might fail to pay amounts due.
Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

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

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

The Board has written credit control procedures.

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

AT 31 MARCH 2012	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Finance lease liabilities	76	78	247	1,079
Trade and other payables excluding statutory liabilities	18,459	3	9	41
Total	**18,535**	**81**	**256**	**1,120**

AT 31 MARCH 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Finance lease liabilities	74	77	241	1,162
Trade and other payables excluding statutory liabilities	21,202	3	9	43
Total	**21,276**	**80**	**250**	**1,205**

25. FINANCIAL INSTRUMENTS (continued)

c) Market Risk

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

i) Cash flow and fair value interest rate risk
The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

ii) Foreign Currency Risk

The NHS Board is not exposed to foreign exchange rates.

iii) Price risk

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

c FAIR VALUE ESTIMATION

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.

26. RELATED PARTY TRANSACTIONS

NHS Borders is a child of the Scottish Government Health Department (SGHD). The SGHD is regarded as a related party. During the year, NHS Borders has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department.

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.

The Health Board is the corporate trustee of charitable endowment funds of £3.624m as at 31 March 2012 (2011: £2.984m)

No board member, key manager or other related party has undertaken any material transactions with the Board during the year.

BORDERS HEALTH BOARD

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FOR THE YEAR ENDED 31 MARCH 2012

27. SEGMENT INFORMATION

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

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.

The operating segments of the Board are as follows:

Clinical Executive - expenditure incurred providing healthcare for its resident population within the Board area

Family Health Services - expenditure incurred by the Board on services which are delivered through the four independent contractor streams i.e. GP Practices, Community Pharmacists, General Dental Practitioners and Optometrists.

Commissioning of Healthcare - expenditure on the provision of healthcare for its resident population which is delivered by other heathcare providers outwith the Board area

Central and Support Costs - expenditure incurred by the Board for corporate and support services to assist the delivery of heathcare for the resident population of the Board

	Note	Clinical Executive £'000	Family Health Services £'000	Commissioning of Heathcare £'000	Central & Support Costs £'000	2012 £'000
Net operating cost *		113,203	47,446	24,912	15,607	**201,168**

SEGMENT INFORMATION - PRIOR YEAR

	Note	Clinical Executive £'000	Family Health Services £'000	Commissioning of Heathcare £'000	Central & Support Costs £'000	2011 £'000
Net operating cost *		110,185	46,100	24,783	18,316	**199,384**
Reconciliation to Monthly Monitoring Return (March 2011)						
Increase in expenditure accruals with other healthcare providers		(5)				**(5)**
Decrease in CNORIS debtor reimbursement accrual		(5)				**(5)**
Decrease in trade and other payable accruals		4				**4**
Reduction in impairments					(50)	**(50)**
Reduction in performance bonus pay accrual					1	**1**
Reclassification of income from disposal of ultrasound scanner					3	**3**
Utilisation of payment received in advance					3	**3**
		110,179	**46,100**	**24,783**	**18,273**	**199,335**

28. THIRD PARTY ASSETS

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

The Board has a responsibility to provide safe custody for money and other personal property handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.

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.

	2011 £'000	Gross Inflows £'000	Gross Outflows £'000	2012 £'000
Monetary amounts such as bank balances and monies on deposit	101	96	(104)	93
Total Monetary Assets	**101**	**96**	**(104)**	**93**

29. EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	2	2
£10,000 - £25,000	0	3	3
£25,000 - £50,000	0	3	3
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total number exit packages by type	**0**	**8**	**8**
Total resource cost (£'000)	**0**	**171**	**171**

EXIT PACKAGES - PRIOR YEAR 2010-11

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	5	5
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	2	2
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total number exit packages by type	**0**	**7**	**7**
Total resource cost (£'000)	**0**	**87**	**87**