BORDERS HEALTH BOARD

Annual Accounts
Final

2008/2009

MBF

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS AND NOTES FOR THE YEAR ENDED 31 MARCH 2009

DIRECTORS' REPORT

1. Naming convention
NHS Borders is the common name for Borders Health Board.

2. Date of issue
The financial statements were approved and authorised for issue by the Board on 25 June 2009.

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

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

4. 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 2006/2007 to 20011/12 the Auditor General has appointed PricewaterhouseCoopers LLP to undertake the audit of Borders Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

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

The Health Board has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and health care. The members of the Board during 2008/09 were as follows:

Mrs M Wilson, Chair
Mrs E Cameron, Non-Executive Director
Mrs J Croall, Non-Executive Director
Mrs C Duthie, Non-Executive Director
Mrs J Edey, Non-Executive Director
Mrs A Ferahi, Non-Executive Director
Mr A Lucas, Non-Executive Director
Councillor S Scott, Non-Executive Director
Mrs G Strickland, Non-Executive Director (to 31 March 2009)
Mr V Summers, Non-Executive Director
Mr J Glennie, Chief Executive
Dr W Cameron, Medical Director
Mrs L Hamilton-Welsh, Director of Workforce (from 5 May 2008))
Mr R Kemp, Director of Finance
Mrs H Maughan, Director of Nursing and Midwifery (to 16 March 2009)
Mr R Pearson, Director of Planning and Performance
Dr A Riley, Director of Public Health (to 14 September 2008)
Dr A Mordue, Acting Director of Public Health (from 1 September 2008 to 31 March 2009)
Mr R Roberts, Director of Integrated Health Services

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

6. Board members' and senior managers' interests

The Board maintains a register of interests, adopted in public, of board members, senior managers and other senior staff. No interests in contracts or potential contractors with the Health Board have been declared.

7. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 23 and the remuneration report.

8. Remuneration for non audit work

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

9. Related Party Transactions

There are no related party transactions.

10. Value of Land

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

11. Payment policy

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

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

Prior to this, the Board did endeavour to comply with the principles of The Better Payment Practice Code by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner.

For 2008/09 the average credit taken was 16 days. (2007/08: 20 days).
For 2008/09 the Board paid 88% by value and 90% by volume within 30 days. (2007/08: 88% and 86%).

12. Corporate governance

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

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

Clinical Governance Committee

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

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

The membership of the Clinical Governance committee comprised Mrs. J Croall, Mrs. J Edey, Mrs. C Duthie and Mr. V Summers. The committee is chaired by Mrs. J Croall. During this year the main work areas have been:

- responding to changes in the national clinical governance support and review processes and infrastructure;
- overseeing the external review programme (mainly NHS Quality Improvement Scotland); and
- monitoring the integration of the clinical governance support functions.

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

Audit Committee
The Audit Committee comprised Mrs J Edey, Mr A Lucas, Mrs G Strickland and Mrs A Ferahi and was chaired by Mrs J Edey. It met five times during the year to review the work of external and internal auditors, the annual accounts and any changes to accounting policies, Standing Orders and Standing Financial Instructions.

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

Staff Governance Committee
The Staff Governance Committee has an important role in ensuring consistency of policy and equity of treatment of staff across the local NHS system, including remuneration issues, where they are not already covered by existing arrangements at national level.

The membership of the Staff Governance Committee comprised Mrs E Cameron, Mrs J Croall, Mr A. Lucas and Mrs A Ferahi. The committee is chaired by Mrs E Cameron. It is the role of the committee to support and maintain a culture within NHS Borders where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the system and is built upon partnership and collaboration. Specifically it provides reassurance to the Board that staff governance arrangements and processes are in place and monitored effectively.

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

Public Governance Committee
The Public Governance Committee leads and facilitates the implementation of public governance across NHS Borders. The committee places particular emphasis on inter-Borders and cross agency activity.

The membership of the Public Governance committee comprised Mrs C Duthie, Mrs A Ferahi, Mrs G Strickland, Mrs E Cameron, Mr A Pattinson, Mrs L. Gallagher, Mrs A Scobie, Mrs M Simpson, Mr A Leitch, Mr G Donald, Mrs G Jardine, Mrs J Naylor and was chaired by Mrs C Duthie.

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

Ethics Committee
The principle function of the Ethics Committee is to provide 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. The membership of the Ethics Committee comprised Mrs G Strickland, Dr A Riley, Dr J Gaddie, Mrs J Christie, Mr P Cooper, Mrs L Ogilvie, Mr A Watson, Mr D Brydon, Mrs E Douglas, Dr J Gillies, Dr P Morris, Rev. D Herbert, Mrs V Carstairs and is chaired by Mrs G Strickland.

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

14. **Human resources**

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

The Health Board provides employees with information on matters of concern and interest to them as employees by means of a weekly staff update, updates on specific issues, the staff induction programme and through contracts of employment. The Health Board consults employees or their representatives so their views are taken into account in decisions affecting their interests by utilising Area and Local Partnership Fora.

OPERATING AND FINANCIAL REVIEW

NHS Health Boards are required to prepare an Operating and Financial Review under section 7.2 of the Financial Reporting Manual (FReM). This provides a narrative explanation of the main trends and factors underlying the development, performance and position of the Board during the financial year covered by the financial statements, and those which are likely to affect its future development, performance and position as defined in the ASB Reporting Statement objectives.

The operating and financial review has been prepared in accordance with the Financial Reporting Manual and complies with best practice.

1. **Principal activities and review of the year**

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

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

During 2008/09 we made substantial achievements. We:

- Achieved 18 week waiting time target for out-patients and in-patients and made progress towards a maximum wait of 12 weeks;
- Sustained a 4 hour waiting time target in A&E;
- Sustained low waiting times for diagnosis;
- Reduced Allied Health Professionals (AHP) waiting times;
- Reduced mental health waiting times;
- Achieved delayed discharge targets;
- Achieved financial targets and sustained financial balance;
- Made progress in reducing waiting times for cancer patients;
- Completed the assimilation of all current staff on to *Agenda for Change*; and
- Completed the building of modern dental facilities in Coldstream and Hawick.

During 2009/10, we will take forward a major strategic change programme covering a wide range of areas set against a much tighter financial outlook. Key deliverables for the coming year include:

- Sustain reduced waiting times for in-patients and out-patients;
- Ensure 95% of urgent cancer referrals are treated within 62 days;
- Deliver the national A&E target;
- Achieve delayed discharge target;
- the Single Outcome Agreement which was developed and agreed early in 2009/10 building on the process over the previous year
- Implementation of HEAT targets to ensure a tighter alignment of local actions against the achievement on Ministerial targets;
- Implementation and progression of NHS Borders' Strategic Change Programme;
- Sustain financial balance;
- Further progress capital investments, including:
  Replacement for Roxburgh Street surgery and improvements in health centre facilities in Lauder and Jedburgh;
  Complete a major upgrade of Endoscopy facilities at the BGH;
  Finalise the business case for upgrading of renal facilities within the BGH;
  Develop plans for new primary care IT system and Patient Management System; and
  Review options for services delivered from Huntlyburn House.

NHS Borders is committed to ensuring sound systems of governance are in place. As part of this NHS Borders works in partnership with NHS Counter Fraud Services to ensure that fraud is detected and acted upon. As part of this work NHS Counter Fraud Services monitor the level of estimated fraud arising from Family Health Services income not recovered for the NHS Borders area.

During calendar year 2008 NHS Counter Fraud Services has identified the *estimated* level as £125,157. This covers income from prescriptions, general dental and ophthalmic services. NHS Borders will continue to work with NHS Counter Fraud Services to ensure the maximum possible resource is available for health services in the Borders.

2. Financial Performance and Position

		Limit as set by SGHD £'000 (1)	Actual Outturn £'000 (2)	Variance Under £'000 (3)
1	Revenue Resource Limit	179,569	179,487	82
2	Capital Resource Limit	6,499	6,495	4
3	Cash Requirement	183,600	183,516	84

MEMORANDUM FOR IN YEAR OUTTURN

	£'000
Saving against Revenue Resource Limit	82
Brought Forward surplus from previous financial year	(650)
Excess against in year Revenue Resource Limit	(568)

Provision for bad and doubtful debts
Debtors are stated net of a provision for doubtful debts of £57,000 (2007/2008: £62,000).

Outstanding Liabilities
Current liabilities have increased from £18.9m in 2007/2008 to £26.2m at 2008/2009. This reflects a purely timing difference in relation to receipt of allocations, income and the payment of invoices.

3. Performance against Key Non-Financial Targets

In 2008/09 NHS Borders delivered strong performance across the service, including:

- No patients waited longer than 2 months for treatment from an urgent cancer referral. This has been maintained since May 2008;
- Throughout 2008/09 there has been a significant decrease in the number of patients waiting over 4 weeks for a key diagnostic test;
- Sustained a 4 hour waiting time target in A&E;
- An increase in the number of Unscheduled Attenders at A&E being seen by Primary Care has been achieved;
- AHP waiting times have been significantly reduced;
- Major improvements have been seen within Audiology and have resulted in no patients waiting longer than 26 weeks from GP referral to fitting of hearing aid since August 2008. This target was achieved 2 months ahead of the planned trajectory;
- Mental Health waiting times have reduced over 2008/09;
- Maintenance of the delayed discharge target continues to be a priority. The Scottish Borders Partnership successfully achieved the target of zero delays over 6 weeks at the national April 2009 census; and
- Sickness absence continues to be a key priority. The cumulative percentage for 2008/2009 is 4.65%, 0.65% above the annual target.

Delivery and performance against the key HEAT targets across health improvement, efficiency, access and treatment within NHS Borders has been successful throughout 2008/09.

Overall NHS Borders have ensured strong performance in the past year. A clear focus on the major deliverables coupled with strong teamwork has delivered excellent results.

4. Sustainability and Environmental Reporting

NHS Borders is one of twenty three organisations to take part in the Carbon Trust's 2008 Scottish Public Sector Carbon Management Programme, which aims to provide a comprehensive programme to measure and manage the greenhouse gas emissions produced by the organisation through its day to day activities. Through our engagement with the Carbon Trust and carbon management partners, over the last 10 months, we have sought to carry through a carbon management project, which has quantified and identified opportunities for achieving our goals and has culminated in the production of a Carbon Management Plan.

We aim to reduce our carbon impact by 20% in 5 years and by not less than 30% by 2016. In meeting these targets, NHS Borders would save £1.8m and avoid emissions of 7,396 tonnes of CO_2.

Having a current annual energy spend of almost £2.5m, and a carbon footprint of 12,318 tonnes of CO_2 the organisation undertook a review of the areas of greatest impact, namely utility energy, transport, waste and water. Although current revenue expenditure will initially benefit, the impact of energy inefficient capital expenditure has also been examined with the result that the Carbon Management Plan will vigorously promote whole life costing in both new and major refurbishment schemes.

Headline areas where work has already commenced but will now be under more scrutiny to ensure that the work is having the desired effect are as follows:

- Raising staff awareness, education and training from the first day at work to the last day at work to encourage good housekeeping practices throughout the organisation's diverse property portfolio;
- Reducing energy consumption in buildings by reducing unnecessary usage (via "Switch Off" campaigns), increasing energy efficiency (heating, insulation and lighting) and prioritising and strengthening our approach to data monitoring and targeting;
- Reducing waste sent to landfill by improving waste minimisation and recycling initiatives within our property portfolio and reducing paper consumption;
- Reducing emissions from our vehicle fleet by procuring fuel efficient vehicles and low emission vehicles allied to specific driver training and improved monitoring of the fleet; 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.

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.

REMUNERATION REPORT

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

Remuneration Committee
The Remuneration Committee comprised Mrs M Wilson, Mrs J Edey, Mrs C Duthie, and was chaired by Mrs M Wilson.

Policy on the remuneration of senior managers for current and future financial years.
Board members and senior employees are remunerated in accordance with the work and recommendations of the Senior Salaries Review Body.

Determination of senior employees remuneration
Remuneration levels are determined by the Remuneration Committee.

Performance Measurement
The Executive and Senior Manager pay arrangements established by HDL(2006)23 and HDL(2006)54 and amended by HDL(2006)59 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.

There are five performance ratings available for the member of staff: Unacceptable, Incomplete, Fully Acceptable, Superior, Outstanding. The appropriate consolidated percentage increase for individual managers is then applied to their spine point salary.

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION (Audited Information)

FOR THE YEAR ENDED 31 MARCH 2009

	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 £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2008	Cash Equivalent Transfer Value (CETV) at 31 March 2009	Real increase in CETV in year	Benefits in kind
				£'000	£'000	£'000	£'000
Remuneration of:							
Executive Members							
Chief Executive: Mr J Glennie	125-130	0 -2.5	55-60	1,036	1,384	-96	3.2
Director of Public Health: Dr A Riley (to 14 September 2008)	70-75						
Acting Director of Public Health: Dr A Mordue (from 1 September 2008 to 31 March 2009)	70-75	0-2.5	20-25	347	491	49	0
Director of Finance: Mr R Kemp	95-100	0-2.5	30-35	518	694	26	3.1
Medical Director: Dr W Cameron	170-175	5-7.5	50-55	725	1,061	196	2.7
Nursing Director: Mrs H Maughan (to 16 March 2009)	70-75	0-2.5	0-5	7	24	20	0.5
Director of Workforce: Mrs L Hamilton-Welsh (from 5 May 2008)	65-70	0-2.5	0-5		27		0
Director of Planning and Performance: Mr R Pearson	80-85	0-2.5	10-15	144	195	16	3.1
Director of Integrated Health Services: Mr R Roberts	80-85	0-2.5	15-20	217	289	13	2.5
Non Executive Members							
Chair: Mrs M Wilson	25-30	0-0	0	0	0	0	2.5
Mrs J Croall	5-10	0-0	0	0	0	0	0
Mrs C Duthie	5-10	0-0	0	0	0	0	0
Mrs J Edey	5-10	0-0	0	0	0	0	0
Mrs A Ferahi	5-10	0-0	0	0	0	0	0
Mr A Lucas	5-10	0-0	0	0	0	0	0
Mr S Scott	5-10	0-0	0	0	0	0	0
Mrs G Strickland	5-10	0-0	0	0	0	0	0
Mr V Summers	5-10	0-0	0	0	0	0	0
Employee Director: Mrs E Cameron	45-50	0-0	0	0	0	0	1.8
Other Senior Employees							
Director of Organisational Development: Mrs I Morris (to 31 December 2008)	60-65						
Total				**2,994**	**4,292**	**454**	**19.4**

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION (Audited Information)

FOR THE YEAR ENDED 31 MARCH 2008

	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 £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2007	Cash Equivalent Transfer Value (CETV) at 31 March 2008	Real increase in CETV in year	Benefits in kind
				£'000	**£'000**	**£'000**	**£'000**
Remuneration of:							
Executive Members							
Chief Executive: Mr J Glennie	125 - 130	0 – 2..5	55 – 60	960	1036	18	2.2
Director of Public Health: Dr A Riley	155 - 160	0 – 2..5	35 - 40	530	610	35	0
Director of Finance: Mr R Kemp	90 - 95	0 – 2..5	30 – 35	458	518	23	2.9
Medical Director: Dr W Cameron	145 -150	0 – 2..5	45 – 50	669	725	0	2.2
Nursing Director: Mrs H Maughan (from 1st September 2007)	40 - 45	0 – 2..5	0 – 5	0	7	5	0
Nursing Director: Mrs E Moir (to 3rd June 2007)	15 - 20						
Director of Planning and Performance: Mr R Pearson (from 15th October 2008)	75 - 80	0 – 2..5	10 - 15	120	144	12	2.8
Director of Integrated Health Services: Mr R Roberts (from 15th October 2008)	80 - 85	0 – 2..5	15 - 20	194	224	12	2.7
Non Executive Members							
Chair: Mrs M Wilson	25 - 30	0 - 0	0 - 0	0	0	0	0
Mrs J Croall	5 - 10	0 - 0	0 - 0	0	0	0	0
Mr T Donaldson (to 31 January 2008)	5 - 10	0 - 0	0 - 0	0	0	0	0
Mrs C Duthie	5 - 10	0 - 0	0 - 0	0	0	0	0
Mrs J Edey	5 - 10	0 - 0	0 - 0	0	0	0	0
Mrs A Ferahi (from 1st February 2008)	0 - 5	0 - 0	0 - 0	0	0	0	0
Mr A Lucas (from 1st December 2007)	0 – 5	0 - 0	0 - 0	0	0	0	0
Mr S Scott (reappointed 10th September 2007)	0 – 5	0 - 0	0 - 0	0	0	0	0
Mrs G Strickland	5 – 10	0 - 0	0 - 0	0	0	0	0
Mr V Summers	5 – 10	0 - 0	0 - 0	0	0	0	0
Employee Director: Mrs E Cameron	45 – 50	0 - 0	0 - 0	0	0	0	1.3
Other Senior Employees							
Director of Organisational Development: Mrs I Morris	80 - 85	0 – 2..5	30 – 35	567	610	9	0
Total				**3,498**	**3,874**	**114**	**14.1**

Signed..... Date 25 June 2009

Chief Executive

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS 2008/2009

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

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish 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 3rd April 2003.

Signed  25 June 2009

Chief Executive

BORDERS HEALTH BOARD

ANNUAL ACCOUNTS 2008/2009

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2009, and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish 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 _____ 25 June 2009

Chair

Signed _____ 25 June 2009

Director of Finance

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

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

The accountability arrangements in place in NHS Borders include Board meetings held in public, twice weekly Executive Team meetings, delegated authority to the Clinical Executive for the operational management of all clinical services including a monthly joint meeting with the Board Executive Team. Risk is managed through the Risk Management Board which is chaired by the Director of Performance and Planning and is responsible for the co-ordination of systems and processes in respect of risk across the organisation. The Audit Committee has strategic oversight of risk systems and processes on behalf of the Board and seeks assurance for the management of risk through the Annual Reports and Annual Assurance Statements of other Standing Committees of the Board.

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

Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

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

Risk and Control Framework

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

The Risk Management Board (RMB) includes all members of the Board Executive Team. The RMB meets on a bi-monthly basis with advice from specialist advisers and clinical boards. The RMB is now closely tied to the decision-making of the executive arm of the organisation. The RMB has overseen the development and agreement of the:

- Risk Management Strategy
- Risk Management Board remit
- Occupational Health & Safety Policy

Through the corporate risk register the Risk Management Board is responsible for monitoring specific risks, ensuring that control measures are in place and measuring the completeness of the risk register itself. The escalation and management of risk is set out in the Risk Management Strategy and Policy.

The Audit Committee has responsibility as the standing committee of the Board for oversight of risk management systems and processes. At least once per year, the Audit Committee will review, with the Staff Governance, Clinical Governance Committee and Public Governance Committees, risks across the organisation and cross-cutting issues.

The corporate objectives for the organisation are drawn from the Board's response to Delivering for Health and Local Delivery Plan. Risks are formally assessed and prioritised and fed into the health planning process. There is also now a systematic approach to the identification of risk in the presentation of proposals and developments to the Board – i.e. through a common template and the wider adoption of the new NQIS Risk Matrix.

There is an on-going programme of training for staff in the identification and management of risk.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

Information Governance is the framework in which we manage the information we hold as an organisation. It covers all types of information and is the responsibility of all staff. We continue to develop the systems and process in place to ensure we manage information safely and responsibly. In 2008/2009 we adopted an action plan to help deliver higher attainment levels for Information Governance Standards. Work has progressed with updating and introducing new protocols and guidance on how we securely and safely manage information and data.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of Internal Control is informed by the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework; the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and comments made by the external auditors in their management letters and other reports

The following processes were in place during 2008/2009:

- Borders NHS Board met monthly to consider and monitor the plans and strategic direction of the Board. In addition to the full Board, the Strategy and Performance Committee met monthly to consider in detail the financial plans and the performance of the Board against the HEAT targets and the development of plans;

- The Board Executive Team met twice weekly to monitor progress against corporate objectives and to develop and oversee a Strategic Change Programme that will aim to embed significant service re-design across NHS Borders services;

- The Clinical Executive met weekly to ensure effective operational management and control of NHS Borders clinical services and to monitor operational performance;

- The Board Executive Team and the Clinical Executive met jointly on a monthly basis to ensure effective links exist between the Executive Team and clinical services and to support the involvement of clinical leaders in the strategic decision making of NHS Borders;

- Personal objectives of directors and senior managers were clearly aligned to the corporate objectives;

- The Capital Planning Group met quarterly to review and prioritise the Board capital plan while the Capital Management Team met monthly to ensure effective delivery of the capital plan;

- The Workforce Board, which comprises all members of the Board Executive Team and representatives of Clinical Boards and Partnership, met bi-monthly to consider implications of new regulations and to monitor compliance and develop workforce plans;

- The Internal Audit function provided the Audit Committee with regular reports together with recommendations for improvement in internal control. In addition, the Chief Internal Auditor provided an Annual Report which included his independent opinion on the adequacy and effectiveness of the system of internal control;

- The Audit Committee reviews all Internal Audit reports with an unsatisfactory rating together with a sample of other internal audit reports and considers actions plans arising from these reports and monitors progress through follow up reviews. Those reports with material issues are considered for inclusion in the Statement of Internal Control;

- The Audit Committee meets at least quarterly throughout the year to focus on issues at a strategic level. It was supported by the Board Executive Team who reviewed the operational activity of internal audit in more detail;

- The Minutes of the Audit Committee were reviewed by Borders NHS Board and the Chair of the Committee made arrangements to submit an Annual Statement of Audit Assurance to the Board;

- The Community Health and Care Partnership met quarterly, formally replacing the Health and Well Being Partnership Board as the vehicle for monitoring the governance of joint working with Scottish Borders Council and NHS Borders is a full member of the Borders Strategic Board which progressed the development of the Single Outcome Agreement;

- The Clinical Governance Committee met regularly throughout the year to oversee the implementation of the Clinical Governance Framework. It also considered key reports such as those produced by NHS QIS and contributed to an annual report. NHS Borders was content that these arrangements were sufficient to highlight any issues arising during 2008/09;

- The Staff Governance Committee met regularly throughout the year. Its role is to ensure that there is a system of corporate accountability for the fair and effective management of all staff. It reports to the Board and Area Partnership Forum. A key piece of work was the continued development and implementation of the *Staff Governance Action Plan*;

- The Public Governance Committee met regularly throughout the year to oversee the implementation of the Public Governance Framework. The committee worked closely with the Scottish Health Council to ensure that there is a system of corporate accountability for public involvement and patient focus for services. NHS Borders was content that these arrangements were sufficient to highlight any issues arising during 2008/09;

- The minutes of all governance committees are formally presented to Borders NHS Board meetings; and

- The Information Governance Committee met regularly throughout the year and continued with its programme of self assessment against the national Information Governance Standards. An NHS Borders Information Governance Strategy was produced in March 2008. The minutes of the Information Governance Committee are formally presented to the Audit Committee.

The system of internal financial control was based on a framework of regular management information, administrative procedures and a system of delegation and accountability. In particular it included:

- Comprehensive budgeting systems with an annual budget;

- Regular reviews by the Board and Directors of periodic and annual reports;

- Financial reports which indicate financial performance against forecasts;

- Targets set to measure financial and other performance information;

- Clearly defined capital investment control guidelines; and

- The operation of key financial controls.

In addition, the Board receive monthly Key Performance Indicator Reports that track progress in meeting Local Delivery Plan targets and other commitments. Alongside this, a system of performance reviews with individual clinical boards and services has begun to be embedded.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

NHS Borders plans to improve internal control by the following:

Comprehensive disaster recovery for key IT systems will be finalised and be subject to validation and testing.

NHS Borders will begin the roll out of SSTS, a national time recording system that interfaces directly with the payroll system. Once implemented SSTS will eliminate dependency on manual records for recording hours worked and will assist in the elimination of fraudulent pay claims.

Work will be completed on the formulation and adoption by the Board of a property management strategy that clearly identifies the property requirements of NHS Borders fully connected and consistent with linked to identified service strategies.

The Board Executive Team developed a Strategic Risk Register during 2008/2009 and this was considered by the Audit Committee in September 2008 and by the Board in November 2008. This has provided the platform for a full Board review in early 2009/2010

Highlighted in the Statements on Internal Control for 2007/2008 for NHS Borders were actions required to improve the control environment. Detailed below are updates on these actions:

The formal adoption by NHS Borders of a Records Management Policy Strategy to integrate existing policies

Comprehensive service continuity plans were developed and agreed and will be tested during 2009.

The Director of Workforce has developed a comprehensive plan for addressing previously identified compliance issues within the human resources function. Regular progress reports are provided to the Workforce Board and Staff Governance Committee.

Signed

Chief Executive

25 June 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS BORDERS, THE SCOTTISH PARLIAMENT AND THE AUDITOR GENERAL FOR SCOTLAND

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

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

Respective responsibilities of the Board, Chief Executive and Auditor

The Board and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the Operating and Financial Review and Directors' Report, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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

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

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

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial

statements, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

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

Opinions

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Board as at 31 March 2009 and of its net operating cost position, recognised gains and losses and cash flows for the year then ended;

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

- information which comprises the Operating and Financial Review and Directors' Report, included in the Annual Report, is consistent with the financial statements.

Regularity

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Edinburgh

25th June 2009

BORDERS HEALTH BOARD

OPERATING COST STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

2008 £'000		Note	£'000	£'000
	Clinical Services Costs			
150,270	Hospital and Community	4	157,382	
11,455	Less: Hospital and Community Income	8	13,986	
138,815				143,396
41,845	Family Health	5	43,724	
2,023	Less: Family Health Income	8	1,781	
39,822				41,943
178,637	**Total Clinical Services Costs**			185,339
1,896	Administration Costs	6		1,967
2,980	Other Non Clinical Services	7	3,723	
808	Less: Other Operating Income	8	711	
2,172				3,012
182,705	**Net Operating Costs**			**190,318**

SUMMARY OF REVENUE RESOURCE OUTTURN

2008 £'000		£'000
182,705	**Net Operating Costs (per above)**	**190,318**
0	Capital Grants to Other Bodies	(171)
22	Profit on disposal of fixed assets	0
0	Annually Managed Expenditure (Write Downs)	(677)
(8,319)	Less: FHS Non Discretionary Allocation	(9,983)
174,408	**Net Resource Outturn**	**179,487**
175,058	Revenue Resource Limit	179,569
650	**Saving against Revenue Resource Limit**	**82**

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

BORDERS HEALTH BOARD

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2009

2008 £'000		Note	£'000
7,913	Net gain/(loss) on revaluation of tangible fixed assets	10	(963)
89	Movement in Donated Asset Reserve due to receipts	18	493
8,002	**Total recognised gains for the year**		**(470)**

BORDERS HEALTH BOARD

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2009

2008 £'000		Note	£'000	£'000
	Fixed Assets			
103,796	Tangible fixed assets	10	103,585	
103,796	**Total Fixed Assets**			**103,585**
6,537	**Debtors falling due after more than one year**	12		**6,612**
	Current Assets			
847	Stocks	11	810	
4,281	Debtors	12	4,955	
333	Cash at bank and in hand	13	447	
5,461			**6,212**	
	Current Liabilities			
(18,880)	Creditors due within one year	14	(26,089)	
(13,419)	**Net current (liabilities)**			**(19,877)**
96,914	Total assets less current liabilities			**90,320**
(67)	**Creditors due after more than one year**	14	(64)	
(11,144)	**Provisions for Liabilities and Charges**	15	(9,412)	
(11,211)				(9,476)
85,703				**80,844**
	FINANCED BY:			
49,621	General Fund	17		45,479
33,757	Revaluation Reserve	18		32,785
2,325	Donated Asset Reserve	18		2,580
85,703				**80,844**

Adopted by the Board on 25th June 2009

Director of Finance

Chief Executive

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

BORDERS HEALTH BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

2008 £'000		Note	£'000	£'000
	NET OPERATING CASHFLOW			
(182,029)	Net cash outflow from operating activities			(179,140)
	CAPITAL EXPENDITURE			
(5,615)	Payment to acquire tangible fixed assets		(4,262)	
44	Reciept for Sale of Fixed Assets		0	
(5,571)	Net cash outflow for capital expenditure			(4,262)
(187,600)	Net cash outflow before Financing			(183,402)
	FINANCING			
187,600	Funding	17	183,402	
294	Movement in general fund working capital		114	
187,894	Cash drawn down		183,516	
187,894	Net cash inflow from financing			183,516
294	**Increase in cash in year**			114
	NOTES			
	1. Reconciliation of operating cost to operating cash flow			
(182,705)	Net Operating Cost for the year	OCS		(190,318)
6,472	Expenditure not involving payment of cash	3		8,099
(5,796)	Net movement on working capital	16		3,079
(182,029)	Net cash outflow from operating activities			(179,140)
	2. Reconciliation of net cash flow to movement in net cash			
294	Increase in cash in year			114
39	Net cash at 1 April	13		333
333	**Net cash at 31 March**	13		447

1. ACCOUNTING POLICIES

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

2. 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.

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

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

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

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

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

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

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

4.1 Capitalisation
All assets falling into the following categories are capitalised:

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

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) Intangible assets which can be valued, are capable of being used in a Board's activities for more than one year and have a replacement cost equal to or greater than £5,000.

4) 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.

4.2 Valuation

Fixed assets are valued as follows:

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

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 last professional NHS Borders estate revaluation took place on 31 March 2008. 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 Health Directorate.

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

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

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

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

No adjustment has been made to the cost figures of operational assets in respect of dilapidations; and

Additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:

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

4.3 Depreciation

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

1) Freehold land and assets under construction are not depreciated.

2) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset as advised by the appointed valuer which are assessed in the context of the maximum useful lives for building elements.

3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Buildings	8-50 years
Site Services	10-45 years
Surfacing	5-23 years
Moveable engineering plant and equipment and long-life medical equipment	15 years
Furniture and medium-life medical equipment	10 years
Mainframe information technology installations	8 years
Vehicles and soft furnishings	7 years
Office, information technology, short-life medical and other equipment	5 years

4.4 Intangible Assets

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

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

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

4.5 Donated Assets

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

4.6 Sale of Fixed Assets

Disposal of fixed assets is accounted for as a reduction to the value of fixed assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Operating Cost Statement.

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

4.7 Leasing

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

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

4.8 Carbon Emissions (Intangible Assets)

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

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

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

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

5. Research and Development

Expenditure on Research and Development is written off to revenue as it is incurred, except insofar as it relates to a clearly defined project, for which related expenditure is separately identifiable, the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and affordability in the context of the Health Board's operations, and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital. The benefits from which can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the operating cost statement on a systematic basis over the period expected to benefit from the project.

6. General Fund Debtors and Creditors

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

7. Stocks

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

8. 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.

9. Pension Costs

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

10. 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 by the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) on behalf of the Scottish Government Health Directorate. Clinical negligence costs may also be reimbursed in part by the SGHD.

11. Related Party Transactions

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

12. Value Added Tax

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

13. PFI Schemes

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

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Operating Cost Statement. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

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

14. 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.

15. Corresponding Amounts

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

16. Financial Instruments

Financial assets

Classification

NHS Borders 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 NHS 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 NHS Borders becomes party to the contractual provisions of the financial instrument.

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

(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 income statement.

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

(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 NHS Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

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

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

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

Financial Liabilities

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

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

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

(b) Other financial liabilities

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

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

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

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

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

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

BORDERS HEALTH BOARD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2009

2. (a) STAFF NUMBERS AND COSTS

2008 £'000		Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
	STAFF COSTS							
80,192	Salaries and wages	742	93	79,660	0	0	(353)	80,142
6,071	Social security costs	82	6	5,828	0	0	(36)	5,880
9,524	NHS scheme employers' costs	105	0	10,004	0	0	(48)	10,061
68	Inward secondees	0	7	0	0	0	0	7
1,455	Agency staff	0	0	0	0	1,394	0	1,394
97,310	**TOTAL**	**929**	**106**	**95,492**	**0**	**1,394**	**(437)**	**97,484**

ANNUAL MEAN	STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	ANNUAL MEAN
30.2	Administration Costs	30.4
2,637.4	Hospital and Community Services	2,654.9
64.6	Non Clinical Services	65.8
0.8	Inward secondees	0.0
-4.0	Outward secondees	(7.9)
2,729.0	**Board Total Average Staff**	**2,743.2**
3.1	Disabled Staff	1.00

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme can be found in Note 23.

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

2008 Number				Number
	Clinicians			
30	£ 50,000	to	£ 60,000	31
18	£ 60,001	to	£ 70,000	18
13	£ 70,001	to	£ 80,000	14
6	£ 80,001	to	£ 90,000	12
5	£ 90,001	to	£100,000	5
11	£100,001	to	£110,000	12
10	£110,001	to	£120,000	12
3	£120,001	to	£130,000	5
9	£130,001	to	£140,000	7
6	£140,001	to	£150,000	4
6	£150,001 and above			10
	Other employees whose remuneration fell within the following ranges:			
	Other			
6	£ 50,000	to	£ 60,000	11
4	£ 60,001	to	£ 70,000	7
1	£ 80,001	to	£ 90,000	1

The remuneration of 7 staff include payments relating to previous years.

3. OTHER OPERATING COSTS

2008 £'000		Note	£'000
	Expenditure Not Paid In Cash		
4,089	Depreciation	10	4,532
2,405	Cost of Capital	17	2,765
0	Impairments - Charge	10	802
(22)	(Profit) on disposal of purchased fixed assets		0
6,472	**Total Expenditure Not Paid In Cash**		**8,099**
2,151	**Travel, Subsistence and Hospitality**		**1,822**
	Operating Lease Rentals:		
789	Hire of equipment (including vehicles)		658
325	Other operating leases		341
1,114	Total		**999**
	Statutory Audit		
205	External auditor's remuneration and expenses		209

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2008 £'000	BY PROVIDER	£'000
126,188	Treatment in Board area of NHSScotland Patients	131,006
16,509	Other NHSScotland Bodies	18,086
997	Health Bodies outside Scotland	1,112
75	Primary care bodies	64
3,029	Private sector	3,491
	Community Care	
2,518	Resource Transfer	2,542
660	Contributions to voluntary bodies and charities	779
149,976	**Total NHSScotland Patients**	**157,080**
294	Treatment of UK residents based outside Scotland	302
150,270	**Total Hospital & Community Health Service**	**157,382**
	BY SERVICE CATEGORY	
78,959	Acute services	83,711
6,150	Maternity services	6,168
5,095	Geriatric Assessment	6,184
21,029	Mental Health services	21,686
4,561	Learning Disability	5,049
6,710	Geriatric Long Stay	6,959
166	Young Physically Disabled	167
23,255	Other community services	23,088
3,520	Other services	3,547
149,445	Total Care Expenditure	**156,559**
531	Additional Costs of Teaching	521
294	UK Residents based outside Scotland	302
150,270	**Total as Above**	**157,382**

5. FAMILY HEALTH SERVICE EXPENDITURE

2008 £'000		Unified Budget £'000	Non discretion - ary £'000	TOTAL £'000
14,327	Primary Medical Services	14,383	0	14,383
21,178	Pharmaceutical Services	18,165	3,821	21,986
5,062	General Dental Services	100	5,826	5,926
1,278	General Ophthalmic Services	14	1,415	1,429
41,845	**Total**	**32,662**	**11,062**	**43,724**

6. ADMINISTRATION COSTS

2008 £'000		£'000
842	Board members' remuneration	1,035
63	Administration of Board Meetings and Committees	75
352	Corporate Governance and Statutory Reporting	391
419	Health Planning, Commissioning and Performance Reporting	295
44	Treasury Management and Financial Planning	34
46	Public Relations	44
130	Other	93
1,896	**Total administration costs**	**1,967**

7. OTHER NON CLINICAL SERVICES

2008 £'000		£'000
7	Closed hospital charges	14
94	Compensation payments - Clinical	475
76	Compensation payments - Other	85
666	Pension enhancement & redundancy	415
185	Patients' Travel Attending Hospitals	214
617	Health Promotion	629
956	Public Health	1,328
47	Emergency Planning	45
42	Post Graduate Medical Education	42
290	Other	476
2,980	**Total Other Non Clinical Services**	**3,723**

8. OPERATING INCOME

2008 £'000		£'000
	HCH Income	
	NHSScotland Bodies	
0	- SGHD	0
5,924	- Boards	5,854
2,729	NHS Non Scotland bodies	3,330
	Non NHS	
56	Private Patients	33
160	RTA Income	183
2,586	Other HCH income	4,586
11,455	**Total HCH Income**	**13,986**
	FHS Income	
1,095	Discretionary (Pharmaceutical Services)	754
	Non Discretionary	
1	General Ophthalmic Services	1
927	General Dental Services	1,026
2,023	**Total FHS Income**	**1,781**
	Other Operating Income	
22	Profit on Disposal of Fixed Assets	0
222	Transfer from Donated Asset Reserve in respect of depreciation	238
564	Other	473
808	**Total Other Operating Income**	**711**
14,286	**Total Operating Income**	**16,478**
6,892	**Of the above, the amount derived from NHS bodies is**	**5,854**

9. ANALYSIS OF CAPITAL EXPENDITURE

2008 £'000		Note	£'000
	EXPENDITURE		
5,338	Acquisition of Tangible Fixed Assets	10	5,831
0	Donated Asset Additions	10	493
0	Capital Grants to Public Bodies		171
(22)	(Profit) on disposal of fixed assets		0
5,316	**Gross Capital Expenditure**		**6,495**
	INCOME		
22	Net Book Value of disposal of Tangible Fixed Assets		0
22	**Capital Income**		**0**
5,294	**Net Capital Expenditure**		**6,495**
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
5,294	Net capital expenditure as above		6,495
5,338	Capital Resource Limit		6,499
44	**Saving against Capital Resource Limit**		**4**

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

	Land & 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 2008	94,289	1,117	10,246	2,780	576	1,498	110,506
Additions	3,333	19	1,037	436	100	906	5,831
Completions	784	0	0	0	0	(784)	0
Revaluation	(983)	0	0	0	0	0	(983)
Impairment Charge	(677)	0	0	0	0	(125)	(802)
Disposals	0	0	(205)	0	0	0	(205)
At 31 March 2009	**96,746**	**1,136**	**11,078**	**3,216**	**676**	**1,495**	**114,347**
Depreciation							
At 1 April 2008	101	778	6,170	1,704	282	0	9,035
Provided during the year	2,920	115	1,168	288	41	0	4,532
Revaluation	(20)	0	0	0	0	0	(20)
Disposals	0	0	(205)	0	0	0	(205)
At 31 March 2009	**3,001**	**893**	**7,133**	**1,992**	**323**	**0**	**13,342**
Net book value at 1 April 2008	**94,188**	**339**	**4,076**	**1,076**	**294**	**1,498**	**101,471**
Net book value at 31 March 2009	**93,745**	**243**	**3,945**	**1,224**	**353**	**1,495**	**101,005**

Open Market Value of Land and Dwellings Included Above **4,465**

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

	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2008	1,957	1,340	0	3,297
Additions	242	246	5	493
Disposals	0	(8)	0	(8)
At 31 March 2009	**2,199**	**1,578**	**5**	**3,782**
Depreciation				
At 1 April 2008	113	859	0	972
Provided during the year	42	196	0	238
Disposals	0	(8)	0	(8)
At 31 March 2009	**155**	**1,047**	**0**	**1,202**
Net book value at 1 April 2008	**1,844**	**481**	**0**	**2,325**
Net book value at 31 March 2009	**2,044**	**531**	**5**	**2,580**
Net Book Value of Land Included Above	**0**			

10. (c) FIXED ASSET DISCLOSURES

2008 £'000		£'000
	Net book value of tangible fixed assets	
101,471	Purchased	101,005
2,325	Donated	2,580
103,796	**Total**	**103,585**
51	**Net book value of land valued at open market value**	**48**
285	**Net book value of buildings valued at open market value**	**198**

Land and buildings were fully revalued by James Barr at 31 March 2008 on the basis of existing use or market value, where no longer in use. For 2008/09, land, buildings and other tangible fixed assets were revauled on the basis of indices at 31 March 2009, where zero indexation factors were applied. The new Coldstream and Hawick Dental Units were revalued by James Barr at 31 March 2009. Sister Margaret Cottage Hospital was revalued at 31 March 2009 following receipt of an offer to purchase.

The net impact was a decrease in value of £1.764m, of which £0.963m has been debited to the revaluation reserve and £0.802m was charged to the Operating Cost Statement.

11. STOCK

2008 £'000		£'000
847	Finished Goods	810
847	**Total Stock**	**810**

12. DEBTORS

2008 £'000		£'000
	Debtors due within one year	
	NHSScotland	
93	- SGHD	278
1,233	- Boards	1,334
1,326	**Total NHSScotland Debtors**	1,612
111	NHS Non Scottish bodies	71
160	VAT recoverable	93
1,008	Prepayments and accrued income	1,183
1,082	Other Debtors	1,663
594	Other Public Sector Bodies	333
4,281	**Total Debtors due within one year**	**4,955**
	Debtors due after more than one year	
6,537	Reimbursement of Provisions	6,612
6,537	**Total Debtors due after more than one year**	**6,612**
10,818	**TOTAL DEBTORS**	**11,567**
62	The total debtors figure above includes a provision for bad debts of :	57

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

	£'000
At 1 April 2008	62
Less Provision for debtors impairment	(3)
Add Debtors written off during the year as uncollectible	3
Less Unused amounts reversed	(5)
At 31 March 2009	57

As of 31 March 2009, debtors with a carrying value of £57,000 were impaired and provided for. The amount of the provison was £57,000. The ageing of these debtors is as follows:

	£'000
3 to 6 months past due	34
Over 6 months past due	23
	57

The debtors assessed as individually impaired were mainly laundry and dental charges for which it has been assessed that not all of the debtor balance may be recovered.

12. DEBTORS (continued)

Debtors that are less than three months past their due date are not considered impaired. As at 31 March 2009, debtors of carrying value of £57,700 were past their due date but not impaired. The aging of debtors which are past due but not impaired is as follows:

	£'000
Up to 3 months past due	30
3 to 6 months past due	25
Over 6 months past due	3
	58

The debtors assessed as past due but not impaired were mainly for inter-NHS trading, balances on agreed instalment schedules and dental charges and there is no history of default from these customers recently.

Concentration of credit risk is limited due to trading being principally limited to other NHS Scotland Boards and other Public Sector Bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.

The credit quality of debtors that are neither past due nor impaired is not assessed by reference to external credit ratings as debtor base is mainly other NHS Scotland bodies or private individuals.

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

The carrying amount of debtors are denominated in the following currencies:

	£'000
Pounds	11,567
Euros	0
US Dollars	0
	11,567

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

The fair value of long term other debtors is £6.612m

13. CASH AT BANK AND IN HAND

	At 01/04/08 £'000	Cash Flow £'000	At 31/03/09 £'000
PGO account balance	278	127	405
Cash at bank and in hand	55	(13)	42
Total cash - balance sheet	**333**	**114**	**447**
Total cash - cash flow statement	**333**	**114**	**447**

Prior Year	At 01/04/07 £'000	Cash Flow £'000	At 31/03/08 £'000
PGO account balance	0	278	278
Cash at bank and in hand	39	16	55
Total cash - balance sheet	**39**	**294**	**333**
Total cash - cash flow statement	**39**	**294**	**333**

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

14. CREDITORS

2008 £'000		Note	£'000
	Creditors due within one year		
	NHSScotland		
1,226	- Boards		3,305
1,226	**Total NHSScotland Creditors**		**3,305**
38	NHS Non Scottish Bodies		6
333	General Fund Creditor		447
5,795	FHS Practitioners		5,779
1,218	Trade Creditors		948
5,807	Accruals		9,123
878	Payments Received on Account		1,016
1,979	Income tax and social security		2,014
414	Other creditors		511
1,192	Other public sector bodies		2,940
18,880	**Total Creditors due within one year**		**26,089**

14. CREDITORS (continued)

2008 £'000		£'000
	Creditors due after more than one year	
67	Prepayment of charges	64
67	**Total Creditors due after more than one year**	64
18,947	**TOTAL CREDITORS**	26,153

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

The carrying amount of creditors are denominated in the following currencies:

	£'000
Pounds	26,153
Euros	0
US Dollars	0
	26,153

15. PROVISIONS FOR LIABILITIES AND CHARGES

2008 Total £'000s		Pensions £'000	Clinical & Medical £'000	Other £'000	Total £'000
8,795	At 1 April 2008	2,028	6,677	2,439	11,144
5,685	Arising during the year	237	3,200	327	3,764
(1,826)	Utilised during the year	(197)	(106)	(1,968)	(2,271)
(1,510)	Reversed unutilised	0	(3,225)	0	(3,225)
11,144	**At 31 March 2009**	**2,068**	**6,546**	**798**	**9,412**

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as debtors in note 12.

Pensions
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
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.

Other
The main element of this provision is in relation to potential future claims for Agenda for Change.

16. MOVEMENT ON WORKING CAPITAL BALANCES

2008 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	Net Movement £'000
	STOCK				
39	Finished Goods	11	847	810	
39	**Net Decrease**				**37**
	DEBTORS				
1352	Due within one year	12	4,281	4,955	
(480)	Due after more than one year	12	6,537	6,612	
			10,818	11,567	
872	**Net Decrease/(Increase)**				**(749)**
	CREDITORS				
(9,036)	Due within one year	14	18,880	26,089	
(3)	Due after more than one year	14	67	64	
277	Less: Capital included in above		(98)	(1667)	
(294)	Less: General Fund Creditor included in above	14	(333)	(447)	
			18,516	24,039	
(9,056)	**Net (Decrease)/Increase**				**5,523**
	PROVISIONS				
2,349	Balance Sheet	15	11,144	9,412	
2,349	**Net Increase/(Decrease)**				**(1,732)**
(5,796)	**NET (DECREASE)/INCREASE**				**3,079**

17. GENERAL FUND

2008 £'000		Note	£'000	£'000
38,689	**General Fund at 1 April**			**49,621**
39	Opening General Fund Creditor	14	333	
187,894	Add: Cash Drawn Down		183,516	
(333)	Less:Closing General Fund Creditor	14	(447)	
187,600	**Net Funding**			**183,402**
(182,705)	Net Operating Cost for the Year	OCS		(190,318)
3,632	Transfer of Realised Element of Revaluation Reserve	18		9
2,405	Cost of Capital	3		2,765
10,932	**Net Increase in General Fund**			(4,142)
49,621	**General Fund at 31 March**			**45,479**

18. MOVEMENT ON RESERVES

2008 £'000			£'000
	Revaluation Reserve	**Note**	
29,399	Balance at 1 April		**33,757**
7,990	Revaluation of fixed assets	10	(963)
(3,632)	Transfer of Realised Element to Revaluation Reserve		(9)
33,757	**Balance at 31 March**		**32,785**
	Donated Asset Reserve		
2,535	Balance at 1 April		**2,325**
(77)	Revaluation of fixed assets	10	0
89	Additions of donated assets	10	493
(222)	Release to the Operating Cost Statement	10	(238)
2,325	**Balance at 31 March**		**2,580**

19. CONTINGENT LIABILITIES

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

2008 £'000	Nature	£'000
	Clinical and medical compensation payments	
155	Four claims at Central Legal Office Rating 2. The estimated value has been derived by the Central Legal Office using past precedents.	50
175	Thirteen claims at Central Legal Office Rating 1. The estimated value has been derived by the Central Legal Office using past precedents.	145

Equal Pay

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.

The basis of those claims is as follows:

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

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

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

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

The challenge to Agenda for Change was recently heard ay an Employment Tribunal. The challenge was unsuccessful and the Tribunal rejected the contention that Agenda for Change job evaluation scheme was discriminatory. This ruling severely curtials the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will still have to establish that their jobs at that time were of equal value to their comparator jobs.

Claims currently submitted 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 monitoring the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. Their advice is used to determine the accounting treatment and disclosure. On the basis of their advice it is not considered practicable to attempt to make any estimate of financial liability at this stage because the lack of information available would mean that any such estimate would be likely to be misleading.

330	195

20. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

21. COMMITMENTS

The Board has the following capital commitments which have not been provided for in the accounts:

£'000		£'000
	Contracted	
1,660	Dental Scheme Hawick	0
1,594	Dental Scheme Coldstream	0
0	BGH Endoscopy Development	2,166
0	BGH Car Park	350
3,254		**2,516**
	Authorised but not Contracted	
1,054	Rolling Replacement Programmes	2,810
920	Health Centre Modernisation	1,768
1,540	Other Building Work	510
525	Medical Equipment	500
277	Sterile Services Improvements	100
69	SEAT Schemes	390
0	Joint Schemes	100
0	Primary Care Modernisation Programme	720
4,385	**Total**	**6,898**

22. COMMITMENTS UNDER LEASES

Operating Leases

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

£'000		£'000
	Obligations under operating leases comprise:	
	Land and Buildings	
8	Within one year	8
317	After five years	333
325		341
	Other	
196	Within one year	237
225	Between two and five years (inclusive)	197
421		434
746	**Total**	775

23. 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 able to be separately identified. The NHS Board will therefore account for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17. For 2008/09, normal employer contributions of £10.109m were payable to the SPPA (2007/2008 £9.554m) at the rate of 14% of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £0.197m (2007/2008 £0.137m) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities. Provisions/prepayments amounting to £2,068,000 (2007/2008 £2,027,000) are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly. Changes to the scheme were implemented from 1 April 2008. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefits of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions are increased in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than 2 years service.

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.

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.

	2007/08 £'000	2008/09 £'000
Pension cost charge for the year	9,554	10,109
Additional Costs arising from early retirement	137	197
Provisions/prepayments included in the Balance Sheet	2,027	2,068

24. FINANCIAL INSTRUMENTS

24a. FINANCIAL INSTRUMENTS BY CATEGORY

2008 Total £'000	AT 31 MARCH 2009	Note	Loans and Receivables £'000	Total £'000
	Assets per balance sheet			
3,113	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	12	3,679	3,679
333	Cash and cash equivalents	13	447	447
3,446			**4,126**	**4,126**

2008 Total £'000	AT 31 MARCH 2009	Note	Other financial liabilities £'000	Total £'000
	Liabilities per balance sheet			
16,968	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	14	24,139	24,139
16,968			**24,139**	**24,139**

24b. 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.

24b. Exposure to Risk (continued)

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.

b) Liquidity Risk

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

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

	Less than 1 year	Over 5 years
31-Mar-09		
Trade and other payables excluding statutory liabilities	24,075	64
Total	24075	64

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.

24c. FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Valuation is at transaction price.

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.

Borders Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006