ANNUAL REPORT AND ACCOUNTS

FOR

THE YEAR ENDED 31 MARCH 2017

NHS Lanarkshire is the common name of Lanarkshire Health Board

NHS LANARKSHIRE
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

SECTION A: THE PERFORMANCE REPORT

Overview

Statement from the Chief Executive on the Performance of the NHS Lanarkshire
2016/17 saw NHS Lanarkshire take an important step forwards, with the consultation and approval of "Achieving Excellence" a plan for person centred, innovative healthcare to help Lanarkshire flourish. This strategy sits alongside the strategic commissioning plans of the new Integration Joint Boards in North and South Lanarkshire who went live in April 2016. Integration brings together local teams of health and social care professionals – along with partners including carers, the third sector and independent sector. It brings a new opportunity to streamline the way care is provided.

Detailed work to prepare service plans in line with Achieving Excellence and the strategic commissioning is underway, including refining the initial agreement to be struck with the Scottish Government on the business case for refurbishment or replacement facilities for Monklands. An early step in line with this strategy was the concentration of orthopaedic trauma services in North Lanarkshire at Wishaw. This was as a result of recognition that the orthopaedic workforce was stretched too thin and will enhance safety and quality of emergency surgery as well as freeing capacity in the Monklands theatres for more elective operations. It fits with the national strategy for developing trauma centres.

The Integration Joint Boards (IJBs) aim to redesign services so that more people can stay in their homes and avoid admission to hospital. Despite investment in well evaluated initiatives, such as Hospital at Home, the number of people attending Lanarkshire Emergency departments increased by 6,905 (3.6%) in 2016/17. All sites saw an increase, but the rise was steepest in Hairmyres Hospital which, as a result of the A & E at the Glasgow Victoria Hospital closing in May 2015 has seen a 10.9% increase in A & E attendances over 2 years. A national shortage of doctors wanting to work in the emergency department affected all sites, with Wishaw having a particularly high requirement for locums to fill gaps. Despite all of this, 6,654 more people were treated within 4 hours in 2016/17 than in 2015/16.

Minimising any delays in the Emergency Department is a high priority. Maintaining staffing levels is a constant focus. Pilots to look at more effective ways of meeting patients needs, such the Rapid Assessment and Treatment centre at Monklands have evaluated well and each site is looking at ways of improving patient flows. Every morning each Hospital holds a safety meeting where staff from the emergency department, theatres, critical care and all the wards look at the number of people likely to come in to the hospital that day, the number of people likely to be leaving , staffing levels and any other issues of concern to plan for the day. Ensuring people who are clinically fit to leave the hospital are not delayed is hugely important so that beds are freed for patients needing admission. Since July 2016 an average of 200 beds per day in Lanarkshire are occupied by people who are medically fit to leave. The Integration Joint Boards have a key role to play in ensuring community support and social care is there when needed. Each IJB has plans to reduce the number of delayed discharges. The NHS Board's corporate management team review A & E performance and progress with delayed discharge on a weekly basis.

Rising demand and workforce shortages affected a number of specialties and despite additional financial investment the Board struggled to maintain performance against the range of non emergency waiting times targets. Priority will always be given to clinically urgent cases, and NHS Lanarkshire was one of 5 Boards who met the target for 95% of cancer patients being treated within 62 days from initial referral to treatment. Patient safety remained the Board's top overall priority and the Board demonstrated a continued decrease in the Hospital Standardised Mortality Ratio used as one of the indicators to monitor this.

Primary Care also experienced the impact of workforce gaps and rising demand and the challenge of maintaining GP services is seen as one of highest risks to NHS Lanarkshire's future success. The Scottish Government released funding for Primary Care Transformation in 2016/17 to allow more sustainable models of care to be developed. The IJBs are carrying forward much of this funding for work in 2017/18. 2017 will also see the first phase of new national contracts for GPs.

We have continued to deliver our services safely while managing immediate financial pressures.

I would like to acknowledge the hard work of all of the Board's staff, and thank them for all their efforts which allow us to continue to provide safe, effective, person-centred care.

Lanarkshire Health Board (commonly known as NHS Lanarkshire) – Role and Responsibilities

Lanarkshire Health board was established under the National Health Service (Scotland) Act 1972 and is responsible for commissioning and providing health care services for the residents of Lanarkshire.

The population of Lanarkshire is 653,310 with 337,950 people living in North Lanarkshire and 315,360 in South Lanarkshire

NHS Lanarkshire at a Glance

- 653,310 residents (12.10% of Scotland);
- Approximately 6,900 births per annum;
- Compared to Scottish average, population is slightly younger, has higher levels of deprivation and is slightly less rural;
- Older age bands will grow faster; the over 75s population is expected to grow by 17% by 2020;
- Life expectancy has increased over the last 10 years to 76.0 years for men and 80.3 years for women;
- But people in Lanarkshire still live on average a year less than others in Scotland;
- £1.416bn spent on healthcare for NHS Lanarkshire in 2016/17;
- Employs 12,967 staff (Headcount) 11,259 (whole time equivalent);
- Spends £211m per annum on medicines;
- Has 2,421 staffed hospital beds but also significant flow to Glasgow hospitals;
- 106 GP Practices.

The principal role of NHS Lanarkshire remains the protection and improvement of the health of the resident population, and the delivery of high-quality, patient-focused services. As well as setting strategic direction, setting annual and longer term objectives, and monitoring performance against these it ensures there are high standards of corporate governance and effective financial stewardship.

NHS Lanarkshire contracts with GPs, opticians, dentists and pharmacists to provide a full range of primary care services. £311.515m was spent on these in 2016/17 including £138.407m to reimburse the cost of GP prescribed drugs. The Board's Acute division operates 3 large district general hospitals - Wishaw, Monklands and Hairmyres – each with full accident and emergency services, as well as a number of smaller satellite units such as Stonehouse, Udston and Wester Moffat Hospital. £351.168m was spent by the Acute Division in 2016/17 on staffing, supplies and drugs, with property costs being picked up centrally. The need to access specialist services plus a high number of patients choosing to use hospitals they find geographically more convenient (predominantly in Glasgow) means NHS Lanarkshire has a very high proportion of expenditure in out of area services, with £185.443m being spent with other NHS bodies in Scotland in 2016/17. The Board also provides a wide range of community and mental health services, as set out in more detail in later paragraphs detailing the role of the newly created Integration Joint Boards.

NHS Lanarkshire strives to find innovative and more effective ways to meet patients' needs.

Examples of our high-quality, patient-focused work

A patient can now hear clearly for the first time in over 50 years after a pioneering operation. The ground-breaking endoscopic ear surgery allows patients to return home on the same day and can hear almost immediately as the ear doesn't need to be packed with dressing;
Our health improvement team increased the use of 'Healthy Start' vitamins which are now free for all pregnant women in Lanarkshire;
Staff are helping children to avoid having x-rays by checking them with a metal detector instead. The clever idea finds out if a patient has swallowed a metal object;
We launched a new initiative in North Lanarkshire to support people following treatment for lung cancer.

The Public Bodies (Joint Working) (Scotland) Act 2014 seeks to bring greater integration of health and social care services. In line with its requirements, in June 2015 , two separate legal bodies, known as Integration Joint Boards (IJBs), were established, one for North and one for South Lanarkshire. Formal powers were transferred to these bodies from 1st April 2016. Each Integration Joint Board comprises 4 directors from the NHS Board, 3 of which are non executive directors, and 4 councillors from the respective Council. Each have appointed a Chief Officer and a Chief Finance Officer responsible for delivery of the IJB's objectives.

The IJB will decide which integrated services will be provided, how they will be funded and what they should look like and will direct the NHS Board and local authority to deliver those services. The table below shows the range of services for which planning and commissioning is now delegated to IJBs.

Community based health services	Hospital based health services	Community based social work services
- Allied Health Professionals (in an outpatient department, clinic or outwith a hospital) - Care Home Liaison service - Community Addiction services - Community based Geriatric Medicine - Community based Paediatrics - Community based Palliative care - Community Children's Health services - Community Learning Disability services - Continence service - Diabetes service - Dietetics - District Nursing - GP out of hours - Health and Homelessness - Health Visiting - Mental Health and Learning Disability - Ophthalmic services - Pharmaceutical services - Primary Care Administration - Primary Care out of hours - Primary Medical services - Prisoner Healthcare - Psychology - Public Health – Health Improvement - Public, General and Community Dental services - Sexual & Reproductive Health and Blood Borne Viruses - Traumatic Brain Injury	- Accident & Emergency (A&E) - General Medicine - GP Inpatient services - Hospital based Addiction/Dependence services - Hospital based Geriatric Medicine - Hospital based Mental Health services (including low secure forensics) - Hospital based Paediatrics - Hospital based Palliative Care - Occupational Health - Physiotherapy - Podiatry - Psychiatry of Learning Disability - Rehabilitation Medicine - Respiratory Medicine - Speech and Language Therapy	- Addiction services - Adult Protection - Adults with Disability and Long Term Conditions - Care Home - Carers Service - Community Care Assessment and Planning - Contracted Support services - Day opportunities and day services - Equipment and Adaptations, Technology, Equipment and Telecare - Health and Wellbeing improvement - Homecare services - Housing support (some aspects) - Intermediate Care service - Mental Health services - Occupational Therapy

Examples of the work of the Integration Joint Boards

- A groundbreaking text messaging system has been used to help support people with depression or anxiety;
- A specially designed smartphone app became a vital tool of the trade for workers with the caring touch. The app helps people to remain as independent as they can possibly be in their own home;

- A befriending project is bringing comfort to those with life limiting illnesses;

- Physiotherapists created work out videos to provide extra assistance to those receiving physiotherapy treatment.

NHS Lanarkshire has always worked collaboratively with other Board's in the West of Scotland, particularly in planning regional specialist services.

During 2016/17 NHS Lanarkshire continued to work with other NHS Boards in the West of Scotland to ensure sound regional planning for specialist services. In 2016/17 a robotic prostatectomy service was set up for patients in the West of Scotland.

The main vehicle through which NHS Lanarkshire is expected to ensure the discharge of its responsibilities is the Local Delivery Plan. This document is structured round targets set by the Scottish Government Health and Social Care Directorates and it describes what NHS Lanarkshire aims to achieve against each heading. It can be found at; http://www.nhslanarkshire.org.uk/publications/Documents/Local-Delivery-Plan-2016-17.pdf

Corporate objectives flow from the Local Delivery Plan (LDP) and cascade into personal objectives for senior staff. The Board has developed a suite of 105 key performance indicators, including the national LDP standards as well as other locally important measures. The Board receives quarterly reports on performance against the LDP standards, KPIs, and corporate objectives.

The Board also has a well developed risk management process through which it, and its various governance committees, monitors risks to the achievement of its objectives. Further detail can be found in the governance statement. As at March 2017 the highest rated risks include being able to sustain the GP workforce, being able to recruit and retain sufficient senior decision makers in the emergency departments and being able to sustain the treatment time guarantee. Although the Board managed within its budget for 2016/17, with the costs of providing healthcare rising faster than the available funding, financial sustainability is a high risk for 2017/18.

Summary of NHS Lanarkshire's corporate objectives:

- **Resources** - All resources used to best effect, achieving transformational change and value for money;
- **Support** - Support a shift in balance of care to reduce reliance on hospitals and focus on prevention, self-care and home support;
- **Improvement** - Deliver services that listen and respond to the needs of individuals to improve experiences and outcomes;
- **Quality** - Deliver high quality services that are person-centred, safe, effective and sustainable;
- **Excellence** - Using values and behaviours to support partnership working and our ambitions as an employer of choice.

Performance

As described above, the Board monitors an extensive range of indicators.

The Local Delivery Plan (LDP) 2016-17 set out 21 Standards agreed for delivery between the Scottish Government Health and Social Care Directorates and Lanarkshire Health Board. These are measured using standard definitions from nationally validated data sources, including the Information Services Division of NHS Scotland and Health Protection Scotland.

Those where NHS Lanarkshire met or exceeded the target are set out in the table below:

✓	Proportion of patients beginning cancer treatment within 31 days of decision being taken to treat. Standard is 95%. Achieved 96.9% at December 2016, which is the latest national data published by ISD. NHS Lanarkshire has consistently exceeded the target over the last 3 years.
✓	Proportion of patients beginning cancer treatment within 62 days from urgent referral with suspicion of cancer. Standard is 95%. Achieved 95.1% at December 2016 which is the latest national data published by ISD. NHS Lanarkshire has consistently exceeded the target over the last 2 years.
✓	Maximum rate of 0.32 Clostridium difficile (C diff) infections in patients aged 15 years and over per 1,000 total occupied bed days. Latest published data shows NHSL at 0.31 per 1000 occupied bed days in the quarter to 31 December 2016. In the year preceding 31 December 2016 NHSL met the target in 3 quarters out of 4.
✓	At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation. Latest published national data shows NHSL ranging from 84.8% to 88.5% across 5 quintiles at March 2016 which is the latest available data. All quintiles show improved performance between 2014/15 and 2016/17.
✓	Eligible patients will commence IVF treatment within 12 months. Standard is 90%. NHSL achieved 100% at March 2017 and in every preceding quarter since September 2014 based on ISD published

	data.
✓	18 weeks referral to treatment (RTT) for specialist Child & Adolescent Mental Health Services (CAMHS). Standard is 90%. NHSL achieved 93.5% at March 2017 per the latest ISD publication. . Performance dipped below 90% in July, August and September 2016 but averaged at 92.3% across 2016/17.
✓	18 weeks referral to treatment (RTT) for Psychological Therapies. Standard is 90%. NHSL achieved 96.5% in March 2017. Over the full year the ISD published data shows 96.8% of patients waiting less than 18 weeks between referral and treatment.
✓	Clients will wait no longer than 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery. Standard is 90%. NHSL achieved 99.9% at December 2016, the latest published ISD data. Performance has been in excess of 99.3% in every quarter since March 2014.
✓	Sustain and embed alcohol brief interventions (ABIs) in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings. Number of ABIs to be delivered in year – 7,381. Latest available data shows NHSL delivering 9,063 at March 2016.
✓	Sustain and embed successful smoking cessation quits at 12 weeks post quit, in the 40% most deprived SIMD areas. Number of 12 week quits to be delivered in 2015/16 – 1,118. NHSL delivered 1262 in the year to March 2016.
✓	NHS Boards to operate within their agreed revenue resource limit, capital resource limit, and meet their cash requirement. NHSL achieved this at March 2017.

Those where NHS Lanarkshire did not fully meet the target are as set out below:

x	Proportion of patients that were seen within the 12 week Treatment Time Guarantee (TTG). Standard is 100% compliance. In the quarter to March 2017 66.67% of patients treated were seen within 12 weeks. The performance across all 4 quarters averaged at 71.7% compared to 90.6% in the previous year.
x	90% of patients seen and treated within 18 weeks of referral (acute services). Standard is 90%. For the quarter to 31 March 2017 NHSL achieved 78.7%.
x	12 weeks from referral to first outpatient appointment. Standard is 95%. NHSL achieved 83.38% in the quarter to 31 March 2017. This was a substantial improvement from the performance of 73.23% in the quarter to December 2016 but sits below the 93.1% achieved in the quarter to March 2016.
x	4 hours from arrival to admission or discharge or transfer for A&E treatment. Standard 95%. NHSL achieved this in April 2016 but has since sat below this figure. Performance in March 2017 was 90%.
x	Maximum rate of 0.24 of staphylococcus aureus bacteraemia (SAB) (including MRSA) per 1,000 total occupied bed days. Latest published data shows NHSL at 0.38 for the quarter to 31 December 2016. Since the quarter to 30 June 2014, NHSL's performance has ranged between 0.30 and 0.38 per 1000 occupied bed days.
x	Sickness absence to be 4% or less. Latest local data collected according to national definitions shows NHSL at 5.5% March 2017 during the winter months sickness absence had exceeded 6%.
x	48 hour access to an appropriate member of the Primary Care Team. Standard is 90%. Latest data is in the Health and Care experience survey published in May 2016 which showed NHSL at 81%.
x	Advance booking of an appointment with a GP three or more working days in advance. Standard is 90%.Latest data is in the Health and Care experience survey published in May 2016 which showed NHSL at 69%.

National data is not yet available to monitor progress against the standard of every person being diagnosed with dementia having 1 year of post diagnosis support.

The LDP standards above achieve prominence because of their national status. Other key indicators which the Board and Corporate Management Team review regularly are the numbers of delayed discharges and associated bed days and a suite of measures related to Patient Safety. Delayed Discharges are discussed later in the performance analysis. Patient Safety indicators include a wider range of control of infection measures than covered by the LDP standards plus a range of other safety measures. The latest measures can be found at http://www.nhslanarkshire.org.uk/boards/2017-board-papers/Documents/May/HAIRT--May-2017-Board.pdf and http://www.nhslanarkshire.org.uk/boards/2017-board-papers/Documents/May/Quality-Assurance-Improvement-Report--May-2017-Board.pdf

The Hospital Standardised Mortality ratio is an overarching indicator which calculated the number of actual deaths within 30 days of admission to Hospital against the number of predicted deaths. A high or consistently rising ratio could be a matter for concern. All 3 of NHS Lanarkshire's hospitals have achieved a reduction of more than 10% since the baseline quarter to March 2014. Only 10 other Hospitals in Scotland have achieved this.

FHS Income Potential fraud/error rates

NHS Counter fraud services conduct a rolling programme of sample checks to determine if patients have wrongly been claiming to be exempt from dental or ophthalmic charges. Extrapolating the level of false claims they detect from this process indicates that, across the whole of NHS Lanarkshire, there may be as much as £1,524,182 of fraudulent or erroneous exemption claims in 2016/17. This estimated fraud rate is less than in 2015/16 (£1,669,910).

Performance Analysis

Financial Performance

		Limit as set by SGHSCD	Actual Outturn	Variance (Over)/Under
		£'000	£'000	£'000
1	Core Revenue Resource Limit	1,204,514	1,204,304	210
	Non-core Revenue Resource Limit	63,073	63,073	0
2	Core Capital Resource Limit	14,887	14,887	0
	Non-core Capital Resource Limit	0	0	0
3	Cash Requirement	1,288,317	1,288,317	0

MEMORANDUM FOR IN YEAR OUTTURN	£'000
Brought forward deficit/(surplus) from previous financial year	281
Saving/(excess) against in year total Revenue Resource Limit	**(71)**

In 2016/17 the costs of providing health services rose by more than the allocation uplift. In particular the employers national insurance bill increased by 1.9% as part of the funding arrangements for the flat rate state pension. New, expensive drugs becoming available has also meant that over recent years annual growth in the hospital drugs bill has been high – in 2015/16 expenditure had increased by 22.8% since the previous year. The pressure from rising demand also impacted on services. When the Victoria hospital in Glasgow closed in May 2015, greater numbers of Lanarkshire and Glasgow residents attended Hairmyres Hospital and additional investment was needed to safely treat them. Maintaining access targets required funding above the brought forward recurring budgets. Shortages in the medical workforce meant an unavoidable reliance on high cost locums, causing an overspend against medical budgets. Ensuring transport was not a delay to patients arriving at or leaving hospital also mean acute costs for this area exceeded budgets. Use of nursing agencies, which had previously been reduced to almost nil, had also increased over 2015/16 and was still relied on in 2016/17.

To bridge the gap between rising costs and income, existing services had to look for efficiencies. The opening Local Delivery Plan signed off by the Scottish Government Health and Social Care Directorate in July 2016 projected £45.551m of efficiency would be needed, of which £4m had yet to be identified.

The non-core revenue resource limit provides funding for more technical accounting entries that do not directly trigger a cash payment such as the depreciation or impairment of an asset or the creation of a provision for a future liability. The Core Capital Resource Limit covers additions to land and buildings or intangible assets or new equipment with a life greater than 1 year and a value greater than £5,000. The Core Revenue Resource Limit is the Scottish Government funding the Board receives to cover all its other activities, excluding certain Family Health services payments which are covered centrally by the Scottish Government.

This gap was eliminated in year and NHS Lanarkshire fully delivered its financial targets. Key factors in achieving this were:

- Strong cost control with use of premium rate agency nursing and locum doctors reduced;
- Robust arrangements for ensuring delivery against efficiency schemes;
- Highly successful quality and efficiency programmes within primary and secondary prescribing to use cost effective equivalents or reduce use of ineffective medicines;
- 15/16 had seen extraordinary growth in new high cost drugs being introduced, but in 16/17 the pace of new drugs being adopted lulled meaning the year end hospital drug spend was less than originally forecast;
- A £2.9m assessed opening gap on the funding required to maintain waiting times was met through £3.7m of additional funding from SGHSCD and £1.5m from the Board's general funds both narrowing the gap and allowing additional activity.

However £9.105m of the efficiencies which helped balance the 2016/17 financial position were non recurring so 2017/18 starts with the challenge of filling this gap on a recurring basis. As in 2016/17, the opening 2017/18 Local Delivery plan relies on efficiencies to bridge the difference between forecast expenditure growth and the increase in income. £6.587m of efficiencies are still to be identified.

During the year NHS Lanarkshire progressed business cases for Hospital Electronic Prescribing and for a replacement Laboratory Information system. These were both complex cases with a long lead in time and £2.6m of project funding to deliver these will be reprovided in 2017/18.

The Board completed an £18.493m capital programme. This was the second year of a 4 year £20m project, to replace the ITU and 7 theatres in Monklands hospital. £6.419m was spent in year in advancing this programme with a state of the art ITU being brought into use in March 2016. The first refurbished theatre was brought into use in April 2017. There was a major programme to replace all endoscopy decontamination equipment before the sterilising technology used ceased to be supported in 2017. Whilst doing this the opportunity was taken to improve the layout of the facilities in order to better meet best practice guidance. £1.8m was spent in total in 2016/17. Other work within the acute division aimed to improve the neonatal accommodation in Wishaw and provide better working space in ophthalmology at Hairmyres and the emergency assessment unit in Monklands. £3.071m was spent on replacing medical equipment and £1.7m on IT projects. £1.702m was spent on estates work to ensure business continuity in Monklands.

The Integration Joint Boards received an opening budget from the Board for their delegated health functions, supplemented throughout the year as new funding relating to IJB activities was released by SGHSCD. The most significant of the new funding was the primary care transformation fund, where £4m was issued to support various workstreams. £2.749m of this will be carried into 2017/18 to support new ways of working in Primary care.

IJBs, unlike NHS Boards, have the ability to carry forward funding through reserves, allowing programmes to span more than one year and allowing longer term planning. Both IJBS approved a reserves policy allowing funding to be held for earmarked purposes as well as permitting a general reserve to be used as required. Funding given for specific purposes, such as primary care, mental health and alcohol and drugs, as well as funding already committed to specific projects will be held in earmarked reserves. The opening prescribing budget delegated to the IJBs had underestimated the scale of the national generic discount. Whilst technically this could have been adjusted by the NHS Board the IJBs were allowed to retain a £1.252m prescribing underspend as an earmarked reserve to protect against future prescribing volatility. Recognising that 17/18 will be a difficult financial year the IJBs have also placed health underspends from 2016/17 in general reserves to provide longer term support. IJB earmarked and general reserves funded from the delegated health budget and sitting with the IJB amounted to £11.357m at 31 March 2017.

Provisions for impairment of receivables are contained in note 13 of the accounts.

Details of outstanding liabilities can be found in note 16 of the accounts. There are no significant remote contingent liabilities requiring disclosure in 2016/17.

NHS Lanarkshire has legal obligations in relation to clinical and non clinical claims. Details of these are contained in notes 17 and 19 of the accounts. In 16/17 a national change in the discount factor used to calculate the cost of future liabilities caused a significant upwards shift in the provision for legal claims.

There are no prior year adjustments or post balance sheet items.

Significant changes in non-current assets can be found in notes 10, 11, 13 and 14 of the accounts.

Private Finance Initiative / Public Private Partnerships

The facilities at Hairmyres, Wishaw and Stonehouse Hospital are provided to NHS Lanarkshire under private finance initiatives. The contracts run until 30 June 2031, 30 November 2028 and April 2034 respectively. The estimated capital value of the facilities is £227.997m.

Performance against Key Non-Financial Targets

As set out in the tables in pages 4 and 5, NHS Lanarkshire met or exceeded 10 of the 20 measurable LDP standards. This included ensuring prompt treatment for those suspected of having cancer as well as ensuring timely interventions for child and adolescent mental health and psychological therapies.

With rising demand and difficulties recruiting to full workforce across various specialties, maintaining performance against the other acute access targets has proved challenging.

Over the year to 31st March 2017 92.4% of patients spent less than 4 hours in A & E, slightly up on 2015/16 but still short of the national target of 95%. The numbers of patients attending Lanarkshire A & E's in 2016/17, as shown in the table below , was 6,904 (3.6%) higher than the year before. The number of people seen within 4 hours was 6,654 (3.8%) higher than in 2015/16. Hairmyres, NHS Lanarkshire's smallest District General Hospital saw the largest increase. One of the factors behind this was the closure of the Glasgow Victoria Hospital which meant Hairmyres became the nearest facility for a number of Glasgow and Lanarkshire postcodes. Additional staffing investment was made in Hairmyres to help cope with this but it remains under pressure.

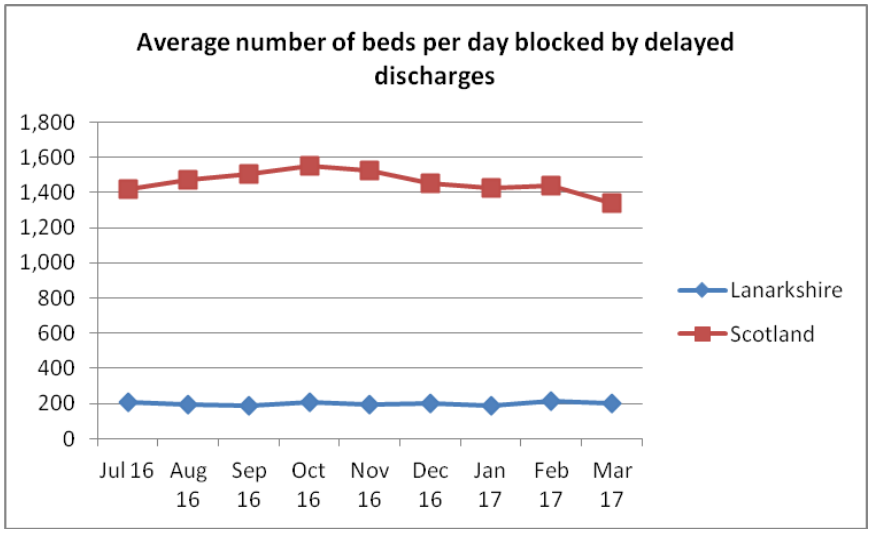
Emergency Department	Hairmyres	Monklands	Wishaw	Total
Attendances 16/17	63,562	6,8124	65,071	196,757
Attendances 15/16	60,166	6,6828	62,858	189,852
Increased Attendances	**3,396**	**1,296**	**2,213**	**6,905**
	5.6%	**1.9%**	**3.5%**	**3.6%**
Seen in 4 hours 16/17	58,005	65,475	58,338	181,818
Seen in 4 hrs 15/16	54,998	64,006	56,160	175,164
Additional seen in 4 hrs	**3,007**	**1469**	**2,178**	**6,654**
	5.5%	**2.3%**	**3.9%**	**3.8%**
% achievement 16/17	91.3%	96.1%	89.7%	**92.4%**
% achievement 15/16	91.4%	95.8%	89.3%	**92.3%**

Recruiting and retaining sufficient numbers of medical staff to ensure at all times there is the appropriate level of senior clinical support in the 3 emergency departments is recognised as one of the Board's highest risks. As well as recruitment exercises and continual efforts to source cover for gaps which incurs substantial locum costs, other solutions are being looked to such as expanding the roles of nurse practitioners.

A major cause of patients being in the emergency department for more than 4 hours is being able to find an appropriate place on a ward. It is vitally important therefore that when a patient's need for hospital care has been met and they are medically fit to leave hospital that they are not delayed. Delays can happen for a number of reasons. Internal factors such as availability of a discharge prescription need to be avoided. Transport can be an issue and although the primary provider is the Scottish Ambulance service, since 2014/15 the priority given to avoiding delays has led to a 19.7% (£0.132m) increase in the acute Division's spend on other providers. The main reason for delay however is sourcing an appropriate level of support in the community.

The Integration Joint Boards are well placed to respond to this as both health and social care services sit within their remit. Social care budgets, like health, are feeling the impact of the growing numbers of people requiring care. In 2015/16 the SGHSCD provided £3.675m to be used to help tackle delayed discharges, supplementing the previous integrated care fund. In 2016/17 SGHSCD targeted £31.493m of the health allocation for social care. Much of the latter funding was earmarked for meeting the cost of the living wage and other council pressures as agreed with the Convention of Scottish Local Authorities.

Collaboration between health and social care on each hospital site has been enhanced, with discharge hubs reviewing each case. Investment has been made in initiatives such as integrated support teams and hospital at home which have been shown to care successfully for people out of hospital. Increased support was put in over the period of peak winter demand. Despite the intense focus on delayed discharges the average number of beds per day in Lanarkshire occupied by people medically fit to leave hospital sat at 204 for March 2017, only marginally down from the 206 per day in July 2016 when a new method of measuring delayed discharges was introduced.



The emergency, unscheduled care flow into hospitals and the planned (elective) care performance are interlinked in District General Hospitals, with the same staff and facilities covering both streams. With finite staffing, boosting medical input for emergency and out of hours care can for example impact on the availability of staff for outpatient activity or planned, elective procedures. There are a range of LDP standards for planned care that measure the time people wait for outpatient appointments and for day case or inpatient treatment.

The number of people waiting more than 84 days for outpatient appointments increased considerably between March 2016 and December 2016. In March 2016, out of 24,142 people waiting for an outpatient appointment, 1,662 had waited more than 12 weeks (6.9%). By December 2016 this had peaked at 8,196 (26.7%), with 30,689 people in total waiting. There were challenges in a range of specialties including ophthalmology, ENT, Orthopaedics, dermatology and neurology. In the final quarter a significant investment was made to reduce the number of long waits, relying by necessity on short term external capacity, and by 31 March 2017 the number over 84 days had reduced to 4,731. Plans for 2017/18 are being drawn up. Many of the long waits sit within Ophthalmology. In 2016/17 capital funding was released to increase the space available for ophthalmology clinics, which combined with agreed investment in staffing should help provide a more sustainable solution. There is also regional work looking at the ophthalmology pathway to ensure available resources are used most effectively.

One of NHS Lanarkshire's problems in efficiently using outpatient resources is the high number of people who do not attend the clinics they are booked into. This takes up a clinic slot that could have been used for another patient on the waiting list. Work was undertaken during the year, including introducing a telephone reminder service, to reduce the number of people failing to attend and the percentage dropped from 9.8 % at the start of the year to 8.8% in February 2017 though rose to 9.5 % in March 2017.

Performance against access targets for treatment is monitored through 2 separate measures. The 12 week treatment time guarantee (TTG) looks for people to receive their inpatient or day case treatment within 12 weeks of the referral for that treatment. The 18 week referral to treat target (RTT) measures the time from the initial referral to treatment (which need not be on an inpatient or day case basis). As at 31st March 2017 NHS Lanarkshire's performance was 66.6% against the 12 week TTG and 78.7% against the 18 weeks RTT.

Ophthalmology and Orthopaedics present the biggest challenge for the TTG target. Use of the Golden Jubilee Hospital plus looking at additional local theatre capacity and improving theatre efficiency features in the plans for improving this. The orthopaedic redesign has generated improved capacity at Monklands for general surgery, urology and ENT since November 2016 and this will be realised during 2017/18. There are also plans to develop new roles in theatres so that there is a robust workforce despite a national shortage of theatre nurses.

The 18 week RTT target is also impacted by the challenges described above in relation to TTG. It looks at wider patient journeys than measured by the 12 week TTG target, bringing in the outpatient element and specialties such as dermatology where treatments are given on an outpatient (non admitted basis). Medical staffing shortages in dermatology had contributed to growing numbers, although much was done in the final quarter to reduce the backlog using external capacity. Actions being taken generally to improve performance include redesigning pathways to minimise outpatient waits and looking at how other health professionals can help support the consultant workload.

Hospital cleanliness and control of infection are of high importance.

During the year NHS Lanarkshire received 2 cleanliness inspections at Monklands hospital which reported generally high standards, with a number of improvement recommendations which the Board is implementing. The Board regularly receives reports on progress against various indicators including hand hygiene, compliance with cleaning standards and correct use of antibiotics. Capital investment was made in year to provide better room layouts for decontaminating endoscopes and to replace all the decontamination units. The two LDP standards relating to control of infection are the rate of infections with Clostridium Difficile (C Dif) and Staphylococcus Aureus bacteraemia (SAB) per 1,000 total occupied bed days. Both these infections occur naturally in the community and in healthcare settings it is important to take measures to prevent infections spreading.

For the year ended 31 December 2016, the Scottish rate of C Diff infection was 0.28 per 1,000 occupied bed days. NHS Lanarkshire sat at 0.31, within the target of a rate of less than 0.32. The rates in the mainland Boards ranged from 0.17 in Forth Valley to 0.36 in Grampian. Each CDI in NHSL undergoes a rapid review by the Infection control team and the clinical team responsible for the patient. All CDI cases deemed as severe undergo a multidisciplinary case review within 48 hours using an adapted local version of the national review tool from Health Protection Scotland.

For SABs the national rate was 0.32 per 1,000 bed days in the year to 30 December 2016 against a target of 0.24. NHS Lanarkshire sat at 0.38. The rates in the mainland Boards ranged from 0.21 in Dumfries and Galloway to 0.42 in Tayside. Each SAB in NHS Lanarkshire undergoes a joint rapid review by the infection control team and the clinical team responsible for the patient.

The national target is 4% sickness absence but available data is in arrears. Local data shows 5.1% at April 2016 and 5.5% at March 17. The Attendance Management Policy has been reviewed and amended in partnership with staff side. Monthly performance data is supplied to managers across NHSL to allow them to effectively manage sickness absence and support staff back to work. The divisional performance reviews also look at any wider issues and actions. A Sickness Absence Summit was held in March 2017 with good participation from HR, Occupational Health, organisational development and staff side to explore further ways of minimising absence. An action plan for 2017/18 was considered by the staff governance committee on 22nd May 2017 and is now being implemented.

There are 2 LDP standards associated with access to GP surgeries. In the latest survey from May 2016 81% of residents sampled reported being able to secure 48 hour access to an appropriate member of the Primary Care Team against a standard of 90%. Only 69% of those sampled reported being able to book an appointment more than 3 days in advance against a standard of 90%. These are only measured every 2 years, with the next survey scheduled for 2018. Sustaining primary care services in future is one of the high risks recognised by the Board and over 2017/18 investment through the primary care transformation fund and a new national contract will be a major focus.

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

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

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

- In 2016/17 average credit taken was 9 days (2015/16 – 10 days);
- In 2016/17 the board paid 94.1% by value (2015/16 - 91.53%) and 92.5% by volume within 30 days (2015/16 - 93.41%);
- In 2016/17 the board paid 88.9% by value (2015/16 - 82.37%) and 86.1% by volume within 10 days (2015/15 – 86.68%).

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

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

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

http://www.keepscotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/"

Events after the end of the reporting period

There are no important events affecting the Board since the year end.

Signed **Date 28 June 2017**
Chief Executive

SECTION B: THE ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

The Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

1. Date of Issue

   Financial statements were approved and authorised for issue by the Board on 28 June 2017.

2. Appointment of Auditors

   The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Audit Scotland to undertake the audit of NHS Lanarkshire. 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.

3. Board Membership

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

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

Chair	Mrs N Mahal	
Executive Directors	Mr C Campbell	Chief Executive
	Mrs L Ace	Director of Finance
	Dr H S Kohli	Director of Public Health and Health Policy (to 31 March 2017)
	Mrs I Barkby	Director for Nurses, Midwives and Allied Health Professionals
	Dr I Wallace	Medical Director
Non-Executive Directors	Councillor J Burns, Mrs L Macer, Mr M Fuller, Dr A Docherty, Miss M Morris, Mr P Campbell, Dr A Osborne, Mr T Steele, Councillor P Kelly	

4. Statement of NHS Board Members' Responsibilities

   Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of the 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 2017 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

5. Board Members' and Senior Managers' Interests

Details of any interests of Board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in note 29.

The board members' and senior managers' declarations of interests can be found on the Boards website using the following link –

http://www.nhslanarkshire.org.uk/About/Board/Pages/Interests.aspx

6. Directors Third Party Indemnity Provisions

No qualifying third party indemnity provision (whether made by the Board or otherwise) has been in place for one or more of the Directors at any time during the financial year.

7. Corporate Governance

The Board meets regularly 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;
- Discipline (for primary care contractors).

Healthcare Quality Assurance and Improvement Committee

The Healthcare Quality Assurance and Improvement Committee met 6 times in 2016/17. It has three key roles:

- **Systems assurance** – to ensure that clinical governance mechanisms are in place and effective throughout the local NHS System;
- **Public health governance** – to ensure that the principles and standards of clinical governance are applied to the health improvement activities of the NHS Board;
- **Information governance** – to ensure effective mechanisms are in place for the collection, storage, security, dissemination and use of information.

The membership of the Healthcare Quality Assurance and Improvement Committee comprises Non-Executive Directors from Lanarkshire NHS Board, and is chaired by a Non-Executive Director of Lanarkshire NHS Board.

Chair	Mr M Fuller
Members	Dr A Docherty, Cllr J Burns, Dr A Osborne, Mr T Steele, Miss M Morris

Audit Committee

The Audit Committee comprises Non-Executive Directors from the Lanarkshire NHS Board and is chaired by a Non-Executive Director of Lanarkshire NHS Board. The Committee met on 5 occasions during 2016/17. Its role is to:

- Receive assurance on the adequacy and effectiveness of the Board's system of internal control and, in particular, risk management;
- Approve the Strategic Internal Audit Plan and Annual Audit Programme;
- Consider regular Status Reports on progress with scheduled and non-scheduled Audits;
- Oversee and monitor the action taken or proposed by Management in response to Audit recommendations;
- Oversee the operational effectiveness of the Internal Audit function.

Chair	Mr T Steele
Members	Mrs L Macer, Mr P Campbell, Miss M Morris, Dr A Osborne

Staff Governance Committee

The 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 Staff Governance Committee is an essential element of the Governance Framework and ensures compliance with the national Staff Governance Standard. The Committee met 4 times in 2016/17.

Chair	Mrs L Macer
Members	Mrs N Mahal, Mr P Campbell, Dr A Osborne, Mr Tom Wilson, Mr D Spence, Staff Side Chair, Acute Services, Mr R Foubister, Staff Side Chair, PSSD and Corporate

Remuneration Sub-Committee

The Board's Remuneration Sub-Committee is chaired by the Board Chair and comprises the Employee Director and 3 other Non-Executive Directors. Its principal responsibility is for decisions on the appointment, remuneration and terms and conditions of service for Executive Directors and other staff on Executive and Senior Management pay arrangements. It also has responsibility for other pay issues such as Discretionary Points and pay issues not covered by Regulation. The Committee met 5 times in 2016/17.

Chair	Mrs N Mahal
Members	Mrs L Macer, Mr M Fuller, Miss M Morris, Mr P Campbell

Discipline (for Primary Care Contractors)

Disciplinary matters for primary care contractors would first be considered by an appropriately constituted Board reference committee. If that reference committee considers that a practitioner should be referred, in addition to notifying the practitioner, it will advise the Central Discipline Unit (CDU) and the Central Legal Office (CLO), both in National Services. CDU will undertake the administrative tasks so that a case can proceed while CLO will draw up the statement of case and represent the referring board at hearings.

Disciplinary cases will be considered by one of 2 groups of 7 NHS boards acting as consortia. An NHS board cannot refer a case for consideration by the consortium of which it is a member.

In 2016/17, no Reference Committee meetings were required to be convened by NHS Lanarkshire.

Additional Board Committees -

Acute Operating Management Committee

The Acute Operating Management Committee comprises Non-Executive Directors of the Lanarkshire NHS Board and is chaired by a Non-Executive Director of the NHS Board. The Committee has a remit to monitor and review the provision of services by the Acute Operating Division, to ensure that services are provided as efficiently as possible, to meet all recognised standards, within available resources and that services increasingly are designed and operated to deliver an integrated patient service.

Chair	Mr P Campbell
Members	Mr M Fuller, Dr A Osborne, Mr T Steele

Health and Social Care Partnership Integration Boards

The Public Bodies (Joint Working) (Scotland) Act 2014 signalled a move to the Integration of Adult Health and Social Care, with effect from April 2015. The Bill requires each Health Board and Local Authority to establish an 'Integration Authority' to deliver nationally agreed outcomes for Health and Social Care. Integration Boards have been established for South and for North Lanarkshire, with membership as follows:

South Lanarkshire Health and Social Care Partnership Integration Joint Board

Chair	Councillor J Burns, South Lanarkshire Council
Vice-Chair	Mr P Campbell, Non-Executive Director, Lanarkshire NHS Board
Members	Councillor M Devlin, South Lanarkshire Council (up to August 2016) Councillor J McGuigan, South Lanarkshire Council (from September 2016) Councillor A Falconer, South Lanarkshire Council Councillor L Hamilton, South Lanarkshire Council Mr T Steele, Non-Executive Director, Lanarkshire NHS Board Dr I Wallace, Medical Director, Lanarkshire NHS Board

North Lanarkshire Health and Social Care Partnership Joint Integration Board

Chair	Councillor H McGuigan, North Lanarkshire Council
Vice-Chair	Dr A Osborne, Non-Executive Director, Lanarkshire NHS Board
Members	Councillor J Logue, North Lanarkshire Council Councillor P Kelly, North Lanarkshire Council Councillor W Goldie, North Lanarkshire Council Miss M Morris, Non-Executive Director, Lanarkshire NHS Board Mr M Fuller, Non-Executive Director, Lanarkshire NHS Board Dr H S Kohli, Director of Public Health and Health Policy, Lanarkshire NHS Board (to 31 March 2017)

Pharmacy Practices Committee

The Pharmacy Practices Committee is a statutory committee and is responsible for the consideration of applications to establish community pharmacy premises within the defined geographical area of the Lanarkshire NHS Board.

Co-Chair	Mr M Fuller, Miss M Morris
Members	Mrs C Prentice, Mrs M Caraher, Mrs L Robertson, Mr C J Sargent, Mr J Woods, Mrs L Wilson

8. Remuneration for non-audit work

Details of any remuneration paid to auditors in respect of any non audit work carried out on behalf of the board is disclosed in note 3.

9. Value of Land

The difference between the market value and the balance sheet value of land is not significant. Land is re-valued annually.

10. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. This information can be found on the Board's website under the following link - http://www.nhslanarkshire.org.uk/About/Pages/finance-reports.aspx.

Information specifying the number of individuals who received remuneration in excess of £150,000 can be found in the Staff Report.

11. Personal data related incidents reported to the Information Commissioner

There were 2 personal data related incidents reported in the year.

12. 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.

Statement of Accountable Officer's Responsibilities

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

This designation carries with it, responsibility for:

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

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

- Observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures;
- 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 21 November 2014.

Governance Statement

Scope of Responsibility

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

Purpose of Internal Control

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

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

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

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

Governance Framework

- During 2016, the Board consulted on a new healthcare strategy "Achieving Excellence" aimed at helping people live longer, healthier lives. This final version gained Cabinet Secretary approval on 28th April 2017 and can be found at http://www.nhslanarkshire.org.uk/publications/Documents/Achieving-Excellence-March-2017.pdf.

The NHS Board's healthcare strategy will sit alongside the strategic commissioning plans developed by the Integration Joint Boards for Health and Social care in North and South Lanarkshire. The document is consistent with the overarching strategic direction set out in the national health and social care delivery plan published in December 2016 which can be found at http://www.gov.scot/healthandsocialcaredeliveryplan.

The Board's overall strategy and objectives are published at the start of the year in the Local Delivery Plan which is agreed with the Scottish Government Health and Social Care Directorates, this is supported by corporate objectives which are approved by the Board and cascaded through personal objectives to the senior managers in the organisation. The Local Delivery Plan for 2016/17 can be found at - http://www.nhslanarkshire.org.uk/publications/Documents/Local-Delivery-Plan-2016-17.pdf.

The Public Bodies (Joint Working) (Scotland) Act 2014, aims to integrate Health and Social Care services by delegating the planning, commissioning and oversight of a range of health services and adult social care to two separate legal bodies, known as Integration Joint Boards (IJBs), one for North and one for South Lanarkshire. The delegated services include adult social care, primary and community care, mental health and a range of hospital services including Accident and Emergency, geriatric medicine and general medical inpatients and in the North, Children's services. Legal status was attained with the approval by Scottish Government of their integration schemes in June 2015. The formal transfer of powers to these bodies happened on 1 April 2016. NHS Lanarkshire delegated the relevant portion of the health budget to the IJBs who in turn directed NHS Lanarkshire to provide a range of specified health services.

The Board met 9 times in public during 2016/17 both to maintain its strategic direction and to receive assurance on achievement of its objectives and on the quality of its services. In April, June, September, and February the Board also convened a Planning, Performance and Resource Committee (PPRC) to allow more detailed consideration of these aspects to inform and support the business of the Board.

The Board maintains an overview of performance through formal quarterly performance reporting against objectives and key indicators. The suite of indicators was refined following a comprehensive review of performance management arrangements in 2014/15. This review also led to the creation of an electronic integrated performance dashboard to improve the visible presentation and to allow Board members to track the indicators in between formal reports to the Board and PPRC.

In addition, the Board receives reports on the most recent reported performance against Access targets, Finance, Clinical Governance including Healthcare Associated Infection. In between Boards the PPRC will review performance to ensure it remains on track. Where a particular issue is of significance to the Board it will schedule follow up reports at appropriate intervals as well as specify the role it wishes its committees to play in providing assurance.

To oversee the system of internal control the Board has established, in addition to the PPRC, Standing Committees for Clinical Governance, Staff Governance and Audit, chaired by Non Executive directors. NHS Lanarkshire's Clinical Governance Committee, (Health Quality Assurance and Improvement Committee - HQAIC), has a remit to ensure that clinical governance mechanisms are in place and effective throughout NHS Lanarkshire, including health improvement activities and to ensure effective mechanisms are in place for the collection, storage, security, dissemination and use of information. The Staff Governance Committee's remit is to ensure consistency of policy and equity of treatment of staff across the local NHS system, that the NHS Staff Governance Standard is met and to provide oversight of the Workforce strategy. The Audit Committee receives assurance on the adequacy and effectiveness of the Board's system of internal control, from external and internal audit as well as from internal sources and other committees. Key issues arising at each committee meeting are reported to the next Board meeting along with full committee minutes when they are available. Further information on the membership of these committees is set out in the Directors' report.

Given the scale of NHS Lanarkshire, an Operating Management Committee with a Non Executive Chair provides more detailed oversight in the Acute Division. As a result of the Public Bodies (Joint Working) (Scotland) Act 2014, the Community Health Partnerships ceased to exist on 1 April 2015 and the scrutiny role previously performed by the North and South Operating Management Committees (OMCs) migrated to the IJBs.

Each committee has a remit specifying clearly its responsibilities, work plans are produced at the start of the year, minutes or verbal updates are reported at the public Board meeting and annual reports confirming they have fulfilled their role are considered by the Board at the end of the year. For 2016/17 each of these committees was able to confirm that there was an adequate and effective system of internal control in place in the areas within their remit, highlighting any matters of concern that the Audit Committee might want to consider in reaching an overall conclusion on the strength of internal control.

In March 2017 the Board reviewed, updated and approved its Scheme of Delegation and its Standing Financial Instructions. The Board's Code of Governance was updated and approved in November 2016.

A register of key legislation is maintained with the controls in place to ensure compliance is documented and periodically reviewed. Compliance with circulars is achieved through the Board Secretary providing links to circulars as they are issued and seeking confirmation that action has been taken. The Corporate Management Team and Audit Committee receive reports on the status of internal policies and procedures so they can monitor compliance with the internal policy on keeping these up to date.

NHS Lanarkshire has a Fraud Policy and Response Plan, and a designated Fraud Liaison Officer (FLO) operating in accordance with issued guidance and standards. The Board's fraud policy was updated and approved in March 2017. The Fraud Liaison Officer reports through the Director of Finance to the Audit Committee and has direct access to the Chief Executive. The Audit Committee has received updates on key initiatives and issues from Counter Fraud Services (CFS), a national service established to provide expertise to NHS bodies in fraud investigations. The Board participates in the National Fraud Initiative where records across various public sector bodies are electronically cross matched and any anomalies indicating potential fraud are investigated. During the year the Board included articles on recognising fraud in staff briefings and delivered workshops in conjunction with CFS.

The Board reviewed its extant policy "Whistleblowing – Safely Raising Concerns about Risk, Malpractice or Wrong Doing at Work" in December 2015. It will next be reviewed in December 2018. This policy has been introduced to reassure staff that it is safe and acceptable to raise concerns and to describe the correct process for staff to follow. This policy is for staff who wish to raise a qualifying disclosure under the Public Interest Disclosure Act 1998. The Policy includes cross reference to other relevant points of access for staff who wish to raise a concern.

The Board has well established stakeholder engagement mechanisms in place. As well as having public representation on the Acute Operating Committee and relevant other groups, a Public Reference Forum for person-centred care was established in June 2015. At the quarterly meetings, the Public Reference forum provides an opportunity for open discussion on subjects of public interest in relation to health and social care in Lanarkshire. The outputs from the group are reported through the Healthcare Quality Assurance and Improvement Committee.

Staff engagement continues to take place through the Staff Governance Committee, Area Partnership Forum and Area Clinical Forum, with further partnership working structures and protocols at local level. Further engagement with staff was established through increased visibility of Board non-executive and executive directors, involvement of non-executive directors in patient safety walk rounds and the introduction of monthly "Back to the Floor" visits by executive directors. The national iMatter tool, where staff can express their views on their workplace, has been rolled out across the organisation.

The Board Annual Report on Feedback, Comments, Concerns and Complaints for 2015/16 was considered by the Board's clinical governance committee (HQAIC) in June 2016. It described activities undertaken to encourage patient feedback through a wider variety of mediums, key performance indicators on the handling of complaints and actions taken to improve. A mid-year report was prepared and submitted to HQAIC in December 2016.

Involving public and service users at the earliest opportunity in service change processes is established in line with the Scottish Government's guidance CEL 4 (2010) "Informing, Engaging and Consulting People in Developing Health and Community Care Services."

The Scottish Health Council continues to conduct independent assessment of the adequacy of specific consultations. This included the public consultation on NHS Lanarkshire's healthcare strategy 'Achieving Excellence' during 2016.

In October 2016 the Board ran a facilitated development day to review its own effectiveness and identify priorities and actions in support of any improvement or development. The event included a review of the Board's role, governance and working arrangements, and considering these alongside the strategic priorities, including the Healthcare Strategy consultation feedback. The opportunity was also taken to reflect on progress against the previous year's action plan.

Actions agreed at the event included: sharpening Board reports to highlight key issues; pushing further into collective decision-making and integrated planning; developing a corporate programme and project management approach for the Healthcare Strategy; striving for balance between reacting to issues and focussing on strategy delivery; maintaining a keen focus on governance; the need to redefine planning groups. The outputs from the development event also included defining what success would look like in 2017.

Development needs for non-executive directors are initially identified through national and local induction arrangements. Thereafter these are highlighted in discussion with the Chair informally through the course of the year and as part of the annual appraisal. Similarly development needs for executive directors are identified initially through local induction arrangements and thereafter though the individual performance management process (with mid-year and annual review) where needs are identified in discussion with the Chief Executive and form part of each individual's Personal Development Plan. The performance of senior managers is reviewed independently by a remuneration committee composed of non-executive directors.

In addition whole Board development needs can arise for a number of reasons, for example, in response to new policies, working arrangements or changes to legislation. A series of Board seminars is in place to support shared development needs.

Review of Adequacy and Effectiveness

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

- Executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- The work of the internal auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement. In particular the Chief Internal Auditor prepares an annual report giving an overall assessment of the adequacy and effectiveness of the Board's governance arrangements;
- Conclusions and recommendations from external auditors in their management letters and other reports;
- Summaries of service auditors reports for any third party providers who provide core systems whose operation can have a significant impact on achieving the Board's objectives;
- A review of any external inspection reports received by the Board;
- The results of any fraud investigations including the quarterly reports considered by the Audit Committee;
- Comparative performance on key performance indicators;
- The annual reports of the governance committees;

- Regular reports on significant adverse events, regular review of the corporate risk register and in particular risks whose rating exceeds the stated risk tolerance.

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the legally separate NHS Lanarkshire Board Endowment Fund. The NHS Board's Audit Committee has received assurance that there are no issues arising in respect of these Endowment Accounts that would require disclosure in this statement.

Given the scale of the services for which planning and commissioning is now delegated to the Integration Joint Boards, assurances have been received from the Integration Joint Boards that they have an adequate and effective system of internal control in place, and assurances have been received on the financial information provided to NHS Lanarkshire for inclusion in the annual accounts. Similar assurances have been provided by NHS Lanarkshire to the Integration Joint Boards on these matters.

All NHS Lanarkshire specific external audit reports, reviews of performance management arrangements or other risks and priorities are considered in full by the Audit Committee. The Audit Committee also ensures that any relevant learning from wider Audit Scotland reports is being considered by the organisation. The Chief Internal Auditor conducts a mid-year review of governance arrangements so any potential issues can be identified and addressed at an early stage and produces an annual report which gives a year end assessment to directly inform the governance statement. The Audit Committee determines the additional evidence it needs to receive on top of its own annual report in order to provide advice to myself as Accountable Officer on the adequacy and effectiveness of the system of risk management in operation within the organisation. Based on the work undertaken throughout the year, Internal Audit has concluded that the Board has adequate and effective internal controls in place and that the 2016/17 internal audit plan has been delivered in line with Public Sector Internal Audit Standards.

Risk Management Arrangements

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

The risk management strategy, which forms a key part of NHS Lanarkshire's system of internal control, was reviewed and enhanced during the year, and approved at the May 2017 Board meeting . The strategy makes clear the Chief Executive's overall responsibility for risk management. Leadership and accountability across NHS Lanarkshire is clearly defined including the responsibilities of directors, local managers and individual staff in supporting the delivery of the strategy and in the identification and assessment of risk. The Board acknowledges that the strategy will continue to be subject to change, reflecting any organisational and structural changes and learning from best practice.

The Board considers an annual report on risk management. The 2015/16 report was considered in June 2016. The 2016/17 report will be reviewed by the Audit Committee in June 2017 and then taken to the public Board in August 2017. A structured review of the effectiveness of the Board's risk management practices takes place annually, using the key lines of enquiry recommended in Annex F of the Scottish Government Audit Committee Handbook. The Audit Committee considered this in March 2017.

There is comprehensive guidance on the identification and assessment of risk and the effectiveness of controls. This guidance can be readily accessed by all relevant staff on a dedicated Risk Management Web-page which also contains the strategy, forthcoming external and internal training events, case law, training records, incident reports and "how to guides". There is an electronic web based risk recording and reporting system, integrated with the incident recording system, with mandatory training for anyone designated as a verifier. The system builds in review dates for each risk to ensure the assessment remains current.

Through this system each division maintains a register identifying and supporting the management of the operational risks facing the division. Where risks are of such significance they may prevent corporate objectives being attained they are included in the corporate risk register.

As Accountable Officer I hold overall responsibility for the management of risk but in this I have been supported by the Medical Director who had delegated day to day responsibility for systems of risk management during the year. The Corporate Management Team considers a suite of information to maintain an overview of risk and risk management on a monthly basis. In addition the Corporate Management team meets on a weekly basis and formally considers whether any of the issues considered during that meeting require an amendment to the corporate risk register.

The corporate risk register is considered at each meeting of the Audit Committee and of the Board. The latest version considered by the Board can be accessed through the May 2017 Board papers. From the 34 live corporate risks, the profile, plotted by likelihood x impact = assessed level of risk, is shown below:

			IMPACT				
			Low	Minor	Moderate	Major	Extreme
		Score	1	2	3	4	5
LIKELIHOOD	Almost Certain	5				1 ↔	
	Likely	4			3 ↑	2 ↑	0 ↓
	Possible	3		2 ↑	6 ↓	9 ↑	
	Unlikely	2		2 ↔	1 ↔	4 ↓	
	Rare	1		2 ↔	2 ↑		

Note the directional arrows indicate the change from the reporting period in 2016.

2 of the 3 risks in red (very high) relate to the sustainability of GP services. One relates specifically to GP's ability to provide medical cover for community hospitals as their own recruitment and workload pressures increase.

The risk has been escalated since 2016 as the inability to provide medical cover to Lockhart Hospital led to the inpatient service being suspended. Care for patients was safely reprovided in other settings and community support has been enhanced in line with national policy on shifting the balance of care. The longer term options are still being worked out. A number of other community hospitals also rely on GP cover.

The second relates more generally to the impact of these pressures on primary care provision. The risk around the sustainability of GP services is recognised nationally and a new contract is being negotiated for implementation from 2017 onwards to help address some of the future issues. NHS Lanarkshire received £4m of funding in 2016/17 from the primary care transformation fund to identify more sustainable ways of providing and enhancing primary care. This funding was passed to the Integration Joint Boards who are using it to support a range of measures, including increased pharmacy support to GPs, over 2016/17 and 2017/18.

The 3rd risk is that NHS Lanarkshire will not be able to realise the savings in 2017/18 that are required to balance the budget. It links to another risk graded high (orange) that external factors such as new drugs might increase the level of cost pressure in the financial plan. The 2017/18 financial plan relies on £36.112m of efficiency savings to bridge the gap between the growth in costs and new income. Although much is being progressed to resolve this, there is a risk profile associated with delivering savings plans and £6.586m still needs to be identified. In previous years the Board has been successful in closing gaps of similar magnitude.

Within the 12 risks graded high (orange) there are risks relating to the ability to maintain unscheduled and planned care access targets and other LDP standards, risks around being able to recruit and retain sufficient clinical staff and risks relating to threats to IT security and cyber attacks.

These risk areas are the subject of reports to each Board meeting so the adequacy of action plans to control and reduce risk can be assessed.

Although the overall number of corporate risks have not increased, 44% now sit in the high or very high category as opposed to 23% in 15/16. The Board recognises its operating environment has become more risky and is reviewing its actions and risk tolerances to ensure all reasonable actions are being taken.

NHS Lanarkshire is committed to learning from good practice and from incidents, complaints and other events that identify gaps in process and procedures and to take appropriate action to reduce the likelihood of similar events being experienced. Risk management guidance sets out how to report and learn from incidents which are recorded in a structured format. These are reported through clinical governance and risk management structures, with the Board maintaining on overview of key performance indicators and trends. Following an externally facilitated review, in 2014 NHS Lanarkshire introduced a new policy on the reporting, recording and management of adverse incidents including undertaking Significant Adverse Event Reviews (SAER). An Internal Audit report on SAERs in June 2016, gave adequate assurance that objectives would be met but highlighted occasions where the reviews exceeded target deadlines. The actions agreed in response to these findings have been implemented as confirmed through audit follow up but the timelines of responses still falls below the aspired level. The Audit Committee and HQAIC will maintain on overview of this until performance has increased.

NHS Lanarkshire works closely with the NHS Counter Fraud services to ensure all reported cases of suspected fraud are appropriately followed up and any relevant lessons learned. During 2015/16 a suspected fraud potentially involving supplier collusion was identified and remains the subject of an ongoing investigation. Once identified, the Board's existing controls, policies and risk management processes operated effectively to protect the Board. Whilst waiting for the police investigation to conclude, NHS Lanarkshire has drawn up and implemented an action plan aimed at making the environment more hostile to potential fraudsters. This includes tighter delegated limits, increased scrutiny where limited numbers of tenders are received, staff awareness raising and easier reporting of gifts and hospitality.

More generally, the organisation is committed to continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice. In addition to improvements already noted in the preceding sections of this report, during the year to 31 March and up to the signing of the accounts, there was a best value review of the management of delayed discharges carried out by external audit.

Disclosures

Two issues merit disclosure for 2016/17 -

1) Treatment Times Guarantee

NHS Lanarkshire strives to meet a range of access targets as set out in the performance report, ensuring while doing so that clinically urgent cases are prioritised. During 2016/17, despite increased financial investment in meeting access targets, NHS Lanarkshire struggled to maintain its previous high levels of performance against the treatment time guarantee of 84 days from referral to treatment. The number of patients seen in each quarter who had waited more than 84 days and the numbers waiting more than 84 days at the quarter end, is as set out in the table below:

Indicator	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17
Number seen	6,209	6,501	6,515	6,172	5,973	6,464
Median (days)	58	63	64	63	57	65
90th percentile (days)	84	100	113	127	133	157
Number who waited over 84 days	492	1,112	1,554	1,756	1,636	2,157
Percentage seen within 84 days	92.1%	82.9%	76.1%	71.5%	72.6%	66.6%
Total Number waiting	6,396	6,361	6,528	6,746	6,794	6,904
Number waiting over 84 days	927	1,202	1,478	1,595	1,552	1,324
Percentage waiting over 84 days	85.5%	81.1%	77.4%	76.4%	77.2%	80.8%

In the final quarter of 2016/17 NHS Lanarkshire achieved a reduction in the numbers waiting over 84 days.

These breaches occurred in 2 main specialties; orthopaedics and ophthalmology. In addition there are pressures in General Surgery, OMFS, ENT, Urology, Gynaecology, Vascular and Chronic Pain. Challenges in nurse recruitment and staffing in theatres has reduced our ability to commission additional/core activity across a number of specialties

The orthopaedics numbers have remained high due to the challenges in medical staffing rotas and the pressures in delivering services over 3 sites. A programme of reconfiguration and redesign is currently underway within orthopaedic services following the move last November to 2 sites. This will generate improved capacity to treat patients from January 2017 onwards. The orthopaedics redesign has also generated improved capacity at Monklands for general surgery, urology and ENT from November onwards. Within other surgical specialties additional theatre capacity during core hours continues to be commissioned wherever possible; however, there are staffing and infrastructure challenges with this.

Within ophthalmology there has been an increasing pressure from a growth in demand from the chronic disease non surgical work e.g. macular degeneration which does not feature in national reporting but has significantly impacted on the Board's ability to deliver the elective programme. A major review of the totality of ophthalmology services has taken place during the year resulting in a service redesign with significant investment in the nurse injectors and optometrists resource.

2) Cyber Attack

The NHS is heavily reliant on information technology for administration, patient records and imaging using multiple, interconnected systems. On 12 May 2017 a global cyber attack resulted in ransomware rapidly infecting devices across huge numbers of organisations, including many NHS bodies in the UK. On ascertaining that a number of devices in NHS Lanarkshire had been infected, rapid action was taken to protect systems from further propagation and it was agreed core systems, with the exception of those required for the immediate maintenance of life, should be taken down .The Chief Executive immediately established a command and control structure establishing teams for each division. Two main objectives of the command and control teams were 1) maintain safe patient care at all times and 2) minimise the propagation of the virus and following detailed assessment begin the recovery process towards business as usual.

All sites and services moved to business continuity planning mode. Throughout the period when this ransomware virus was impacting on NHSL systems the Board was able to maintain safe services to patients with very little disruption to emergency or planned care. There is no evidence of any data being accessed or compromised but, as the incident resulted in patient information being unavailable for a period of time, a report has been submitted to the Information Commissioner's Office. All teams used departmental business continuity plans to good effect and the EHealth Department Disaster Recovery Plan has been employed to control impact of the virus and to progressively recover core systems and assist the organisation in returning to business as usual. Staff and Scottish Government received regular briefings throughout the process.

The actions taken since the organisation became aware of the attack have ensured business continuity. However this incident highlights the escalating threat cyber attacks pose globally and all learning from it will be used to raise the NHS's protection levels against increasingly sophisticated attacks.

Other than the issues described above, during the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management control.

REMUNERATION AND STAFF REPORT

Remuneration Report

Policy on the remuneration of senior managers for current and future financial years

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

Determination of senior employee's remuneration

Remuneration levels are determined by the Remuneration Committee.

Performance Management

The Executive Pay arrangements established by MEL(2000)25 are mandatory for all employing authorities in NHS Scotland. 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 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 four performance levels in accordance with the following definitions:

Superior
The individual regularly exceeds all short-term objectives, makes excellent progress towards long-term objectives and demonstrates high levels of the appropriate behavioural competencies in the achievement of objectives and day to day contact with others.

Fully Acceptable
The individual consistently meets and occasionally exceeds all short-term objectives, and makes satisfactory progress with all long-term objectives. They will have a clear understanding of the appropriate behavioural competencies and the application and development of these can be identified in the achievement of objectives and in day to day contact with others.

Incomplete
The individual meets short-term objectives and makes adequate progress with long-term objectives. May fall short of demonstrating application of the appropriate behavioural competencies but there is evidence of understanding the importance of these and commitment to personal development.

Unsatisfactory
The individual would fall short of the standard required for "incomplete". Active steps should be taken to address the poor performance associated with this rating.

NHS LANARKSHIRE

REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2017
(AUDITED INFORMATION)

Remuneration Table

	Gross Salary (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Benefits in Kind (£000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£000)	Total Remuneration (Bands of £5,000)
Remuneration of:						
Executive Members						
Chief Executive: Mr Calum Campbell	155 – 160	0	0	155 – 160	61	215 – 220
Director of Public Health and Health Policy: Dr H Kohli (to 31.03.2017)	155 – 160	0	0	155 – 160	17	170 – 175
Director of Finance: Mrs L Ace	105 – 110	0	0	105 – 110	26	130 – 135
Medical Director: Dr I Wallace	165 – 170	0	0	165 – 170	18	180 – 185
Director for Nurses, Midwives and AHP's: Mrs I Barkby	100 - 105	0	0	100 - 105	72	170 – 175
Non Executive Members						
The Chair: Mrs N Mahal	30 – 35	0	0	30 – 35	0	30 – 35
Employee Director: Mrs L Macer *1	45 – 50	0	0	45 – 50	13	60 – 65
Mr J Burns	5 – 10	0	0	5 – 10	0	5 – 10
Mr M Fuller	10 – 15	0	0	10 – 15	0	10 – 15
Mrs M Morris	10 – 15	0	0	10 – 15	0	10 – 15
Mr A Docherty *2	165 – 170	0	0	165 – 170	32	195 – 200
Mr P Campbell	15 – 20	0	0	15 – 20	0	15 – 20
Dr A Osborne	10 – 15	0	0	10 – 15	0	10 – 15
Mr T Steele	10 – 15	0	0	10 – 15	0	10 – 15
Mr P Kelly	5 – 10	0	0	5 – 10	0	5 – 10
Senior Managers						
Director of HR: Mr K Small	115 – 120	0	4.6	120 – 125	24	145 – 150
Director of Strategic Planning & Performance: Mr C Sloey	115 – 120	0	0	115 – 120	25	140 – 145
Director of Acute Services: Mrs H Knox	100 - 105	0	0	100 - 105	(6)	95 – 100
Total			**4.6**		**282**	

***1. Mrs L Macer's salary includes £42,000 in respect of non-board duties.**
***2. Mr A Docherty's salary includes £157,000 in respect of non-board duties.**

NHS LANARKSHIRE

REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2017
(AUDITED INFORMATION)

Pensions Values Table

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2016 (£000)	Cash Equivalent Transfer value (CETV) at 31 March 2017 (£000)	Real increase in CETV in year (£000)
Remuneration of:					
Executive Members					
Chief Executive: Mr Calum Campbell	55-60 plus lump sum of 155-160	2.5-5	988	1,073	84
Director of Public Health and Health Policy: Dr H Kohli (to 31.03.2017)	60–65 plus lump sum of 180-185	0-2.5	1,401	1,447	18
Director of Finance: Mrs L Ace	30-35 plus lump sum of 90-95	0-2.5	579	619	41
Medical Director: Dr I Wallace	65-70 plus lump sum of 205-210	0-2.5	1,440	1,521	56
Director for Nurses, Midwives and AHP's: Mrs I Barkby	40-45 plus lump sum of 125-130	2.5-5	783	882	85
Non Executive Members					
The Chair: Mrs N Mahal	0	0	0	0	0
Employee Director: Mrs L Macer	10-15 plus lump sum of 40-50	0-2.5	258	280	18
Mr J Burns	0	0	0	0	0
Mr M Fuller	0	0	0	0	0
Mrs M Morris	0	0	0	0	0
Mr A Docherty	35-40 plus lump sum of 100-105	0-2.5	595	641	46
Mr P Campbell	0	0	0	0	0
Dr A Osborne	0	0	0	0	0
Mr T Steele	0	0	0	0	0
Senior Managers					
Director of HR: Mr K Small	55-60 plus lump sum of 175-180	0-2.5	1,338	1,405	60
Director of Strategic Planning & Performance: Mr C Sloey	55-60 plus lump sum of 170-175	0-2.5	1,171	1,243	55
Director of Acute Services: Mrs H Knox	35-40 plus lump sum of 105-110	0-2.5	681	709	28
Total			**9,234**	**9,820**	**491**

*** The CETV calculator is obtained from the Scottish Public Pensions Agency and is updated for the NHS Pension scheme for factors advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the "CETV at start of period" for 2016/17 can be different from the "CETV at end of period" reported for 2015/16.**

NHS LANARKSHIRE

REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2016
(AUDITED INFORMATION)

Remuneration Table

	Gross Salary (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Benefits in Kind (£000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£000)	Total Remuneration (Bands of £5,000)
Remuneration of:						
Executive Members						
Chief Executive: Mr Calum Campbell	145 - 150	0	0	145 – 150	33	180 - 185
Director of Public Health and Health Policy: Dr H Kohli	155 – 160	0	0	155 – 160	17	170 - 175
Director of Finance: Mrs L Ace	100 – 105	0	0	100 – 105	24	120 - 125
Medical Director: Dr I Wallace	165 – 170	0	0	165 – 170	29	190 - 195
Director for Nurses, Midwives and AHP's: Mrs I Barkby	90 – 95	0	0	90 – 95	53	145 - 150
Non Executive Members						
The Chair: Mrs N Mahal	25 – 30	0	0	25 – 30	0	25 - 30
Employee Director: Mrs L Macer *1	45 – 50	0	0	45 – 50	17	65 - 70
Mr J Burns	5 – 10	0	0	5 – 10	0	5 - 10
Mr M Fuller	5 – 10	0	0	5 – 10	0	5 - 10
Mrs M Morris	5 – 10	0	0	5 – 10	0	5 - 10
Mr A Docherty *2	160 – 165	0	0	160 – 165	25	185 - 190
Mr P Campbell	10 – 15	0	0	10 – 15	0	10 - 15
Dr A Osborne	5 – 10	0	0	5 – 10	0	5 - 10
Mr T Steele	5 – 10	0	0	5 – 10	0	5 - 10
Mr J Smith (from 1.4.15 to 8.3.16)	5 – 10	0	0	5 – 10	0	5 - 10
Senior Managers						
Director of HR: Mr K Small	115 – 120	0	3.1	120 – 125	46	165 - 170
Director of Strategic Planning & Performance: Mr C Sloey	115 – 120	0	0	115 – 120	68	185 - 190
Director of Acute Services: Mrs H Knox	100 – 105	0	0	100 – 105	56	155 - 160
Total			**3.1**		**368**	

***1. Mrs L Macer's salary includes £41,000 in respect of non-board duties.**
***2. Mr A Docherty's salary includes £152,000 in respect of non-board duties.**

NHS LANARKSHIRE

REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2016
(AUDITED INFORMATION)

Pensions Values Table

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2015 (£000)	Cash Equivalent Transfer value (CETV) at 31 March 2016 (£000)	Real increase in CETV in year (£000)
Remuneration of:					
Executive Members					
Chief Executive: Mr Calum Campbell	45-50 plus lump sum of 125-130	2.5-5	754	788	11
Director of Public Health and Health Policy: Dr H Kohli	55-60 plus lump sum of 175-180	0-2.5	1,302	1,379	44
Director of Finance: Mrs L Ace	30-35 plus lump sum of 85-90	0-2.5	487	510	9
Medical Director: Dr I Wallace	65-70 plus lump sum of 195-200	0-2.5	1,321	1,409	63
Director for Nurses, Midwives and AHP's: Mrs I Barkby	35-40 plus lump sum of 110-115	2.5-5	684	761	65
Non Executive Members					
The Chair: Mrs N Mahal	0	0	0	0	0
Employee Director: Mrs L Macer	10-15 plus lump sum of 35-40	0-2.5	226	251	21
Mr J Burns	0	0	0	0	0
Mr M Fuller	0	0	0	0	0
Mrs M Morris	0	0	0	0	0
Mr A Docherty	35-40 plus lump sum of 95-100	0-2.5	534	558	7
Mr P Campbell	0	0	0	0	0
Dr A Osborne	0	0	0	0	0
Mr T Steele	0	0	0	0	0
Senior Managers					
Director of HR: Mr K Small	55-60 plus lump sum of 170-175	2.5-5	1,216	1,313	81
Director of Strategic Planning & Performance: Mr C Sloey	55-60 plus lump sum of 165-170	2.5-5	1,038	1,144	91
Director of Acute Services: Mrs H Knox	30-35 plus lump sum of 95-100	2.5-5	544	616	52
Total			**8,106**	**8,729**	**444**

*** The CETV calculator is obtained from the Scottish Public Pensions Agency and is updated for the NHS Pension scheme for factors advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the "CETV at start of period" for 2015/16 can be different from the "CETV at end of period" reported for 2014/15.**

2016-17		**2015-16**	
Range of Staff Remuneration	£16,132 - £246,682	Range of Staff Remuneration	£15,358 - £282,845
Highest Earning Director's Total Remuneration (£000s)	165-170	Highest Earning Director's Total Remuneration (£000s)	165-170
Median Total Remuneration	£27,766	Median Total Remuneration	£26,949
Ratio	6.00	Ratio	6.14

Commentary
The range of staff remuneration figures are based on the lowest and highest paid employees' full time pay rate.
The Highest Earning Director's Total and the Median Total Remuneration both exclude employer's pension contributions. There are also other employees within the Board who are higher paid than the Highest Earning Director.

Staff Report

NHS Lanarkshire works within a Staff Governance framework which ensures that all staff are treated fairly and consistently. Specific arrangements are in place to support the Staff Governance Standard. NHS Lanarkshire is also an equal opportunities employer.

Equality & Diversity

NHS Lanarkshire upholds the standards and provisions of UK equal opportunities legislation. We are committed to reflecting the diverse geographical population in the workforce by attracting and retaining a diverse staff group. In promoting equal opportunities, we are committed to ensuring that all staff are treated fairly and can give of their best.

NHS Lanarkshire welcomes applications for employment from all sections of society and will review working conditions and the working environment, where necessary, in order to help successful applicants take up post or for existing staff to remain in post, for example, to accommodate a disability.

Staff Governance

As stated above, NHS Lanarkshire is a partnership organisation which has structures and processes in place to achieve the national Staff Governance Standard.

NHS Lanarkshire has a formal Partnership Agreement which sets out these structures and processes. The Partnership Agreement sets out the structure as follows:

Area Partnership Forum

The principal vehicle for partnership working is the Area Partnership Forum, which reports to the Staff Governance Committee. The Area Partnership Forum ensures that staff, through their accredited representatives are involved in strategic decision making.

The Area Partnership Forum is jointly chaired by the Chief Executive and Employee Director. Its membership includes the eleven Directors of NHS Lanarkshire, including the Chief Executive, and eleven staff side representatives, including the Employee Director. Staff side representatives must be accredited trade union/professional organisation representatives. Full-time officers may attend meetings on an ex officio basis.

The Forum met on a bi-monthly basis.

Human Resources Forum

A Human Resources Forum exists in NHS Lanarkshire to oversee the application of HR Policies, procedures and practice.

The Human Resources Forum exists to:-

- Ensure a working interface between management and staff side representatives on Human Resources issue;
- Oversee the application and implementation of terms and conditions of service for staff covered by Agenda for Change;
- To monitor the achievement of the 4% sickness absence standard;
- The management and ratification of HR policies and procedures.

The HRF is jointly chaired by the Director of Human Resources and a Staff Side Representative and has the following membership:

- The Divisional HR Directors (2);
- A Manager nominated by the Divisional Director from the Divisional Partnership Forum (3);
- The Director of Occupational Health;
- The Deputy Director of Organisational Development;
- Nine Staff Side Representatives, including the Chair.

The Forum met on a quarterly basis.

The Human Resources Forum has a number of sub-groups as set out below and other sub groups are established as and when necessary to deal with specific projects.

Joint Policy Forum

A Joint Policy Forum exists in NHS Lanarkshire to ensure partnership working in the development of HR policies.

The Joint Policy Forum is jointly chaired by a Divisional HR Director and a Staff side Representative, and will comprise:

- A Head of HR;
- A representative from Occupational Health;
- Three Management Representatives from the Divisions;
- Six Staff Representatives, including the Chair.

Occupational Health and Safety Management Group

The Occupational Health and Safety Management Group reports directly to the Board and CMT. This is the group with overall responsibility for the management of Occupational Health and Safety across Lanarkshire.

The Occupational Health and Safety Management Group is chaired by the Director of Human Resources and comprises:

- Representatives from the six local Health and Safety committees;
- General Manager, Property and Support Services;
- a number of Staff Representatives agreed by the Staff Side;
- Specialist leads from the Occupational Health and Safety Service, Medical Physics, Patient Safety, Risk and Infection Control;
- A General Manager nominated by each of the Local Health and Safety Forums to enhance Health and Safety working at all levels of our organisation.

Other Groups

There are other groups throughout NHS Lanarkshire which operate on a partnership basis. These include:-

The Medical and Dental Negotiating Committee, which deals with medical and dental terms, conditions and related matters.

The Staff and Organisational Development Group which oversees all staff and organisational development, including implementation of the Knowledge and Skills Framework of Agenda for Change and oversight of development of the annual Workforce Plan.

a) Higher Paid Employees' Remuneration

	2017 Number	2016 Number
Other employees whose remuneration fell within the following ranges:		
Clinicians		
£50,001 to £60,000	75	90
£60,001 to £70,000	59	48
£70,001 to £80,000	59	69
£80,001 to £90,000	56	40
£90,001 to £100,000	55	67
£100,001 to £110,000	68	57
£110,001 to £120,000	55	61
£120,001 to £130,000	46	46
£130,001 to £140,000	37	36
£140,001 to £150,000	42	30
£150,001 to £160,000	22	25
£160,001 to £170,000	19	22
£170,001 to £180,000	19	19
£180,001 to £190,000	6	5
£190,001 to £200,000	4	2
£200,001 and above	4	9
Other		
£50,001 to £60,000	183	173
£60,001 to £70,000	61	56
£70,001 to £80,000	26	22
£80,001 to £90,000	11	12
£90,001 to £100,000	3	1
£100,001 to £110,000	1	2
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	0	0
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

b) Staff Costs and Numbers

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
STAFF COSTS								
Salaries and wages	684	169	395,584	-	-	(2,369)	**394,068**	**385,988**
Social security costs	89	13	40,303	-	-	(235)	**40,170**	**31,895**
NHS scheme employers' costs	100	6	51,023	-	-	(308)	**50,821**	**49,722**
Other employers' pension costs	-	-	-	-	-	-	**-**	**-**
Inward secondees	-	-	-	1,603	-	-	**1,603**	**1,396**
Agency staff	-	-	-	-	14,952	-	**14,952**	**16,128**
TOTAL	**873**	**188**	**486,910**	**1,603**	**14,952**	**(2,912)**	**501,614**	**485,129**
Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							188,659	188,737
STAFF NUMBERS								
Whole Time Equivalent	5.0	10.0	11,206.7	10.0	79.7	(52.1)	11,259.3	11,248.0
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							4.1	4.3
Included in the total staff numbers above were disabled staff of:							47.0	43.0
Included in the total staff numbers above were Special Advisers of:							0	0

c) Staff composition – an analysis of the number of persons of each sex who were directors and employees

	2017				2016			
	Male	**Female**	**Prefer not to say**	**Total**	**Male**	**Female**	**Prefer not to say**	**Total**
Executive Directors	3	2	0	5	3	2	0	5
Non-Executive Directors and Employee Director	6	4	0	10	6	4	0	10
Senior Employees	2	1	0	3	2	1	0	3
Other	2,051	11,059	0	13,110	2,092	10,857	0	12,949
Total Headcount	2,062	11,066	0	13,128	2,103	10,864	0	12,967

d) Sickness absence data

	2017	**2016**
Sickness Absence Rate	5.5%	5.0%

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

The Equality, Diversity and Human Rights Policy sets out the aims of NHS Lanarkshire to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010 and less favourable treatment of other categories of worker as set out within other relevant legislation;
- Advance equality of opportunity between people who share a protected characteristic (i.e. age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation) and those who do not; Foster good relations between people who share a protected characteristic and those who do not; and
- Ensure that the organisation has due regard for the European Convention of Human Rights (ECHR) in the discharge of its function.

f) Exit packages

Summary data on the use of exit packages agreed in year.

Exit Packages			**Current year**
Exit Package cost band	**Number of Compulsory**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	0	1	1
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	1	1
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total number of exit Packages by type	**0**	**2**	**2**
Total Resource Cost (£'000)	**0**	**58**	**58**

Exit Packages – Prior Year			Prior year
Exit Package cost band	**Number of Compulsory**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	0	0	0
£10,000 - £25,000	0	1	1
£25,000 - £50,000	0	4	4
£50,000 - £100,000	0	3	3
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total number of exit Packages by type	**0**	**8**	**8**
Total Resource Cost (£'000)	**0**	**361**	**361**

PARLIAMENTARY ACCOUNTABILITY REPORT

Losses and Special Payments

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

During the financial year 16/17 the Board has approved one claim individually greater than £250,000, settled under the CNORIS scheme (2015/16: £9.008m, 4 claims). Further details on the scheme can be found in note 1 (accounting policies) of the annual accounts. The Board is not required to disclose the value of single settlements within the financial year.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in note 17.

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Lanarkshire charges for services provided on a full costs basis, wherever applicable.

NHS Lanarkshire is required to disclose any services it provides where the full annual cost is £1 million or more and the full cost of the services are material to the financial statements.

Salus is an NHS Lanarkshire based provider of Occupational Health, Safety and Return to Work services across the public and private sectors. The financial objective of Salus is to generate income which supports NHS patient care and economic growth. The full cost of providing these services to non-NHS bodies in 2016/17 was £7.9m. The income received for providing these services was £9.4m resulting in a surplus of £1.5m.

Signed **Date 28 June 2017**

Chief Executive

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Lanarkshire Health Board and its group for the year ended 31 March 2017 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2017 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

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

Responsibilities of the Accountable Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the board and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

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

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

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

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

Report on other requirements

Opinions on other prescribed matters
I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

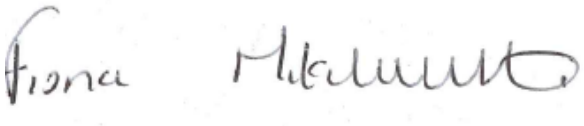
In my opinion, based on the work undertaken in the course of the audit

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

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

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

I have nothing to report in respect of these matters.



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

28 June 2017

SECTION C: FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

2016 £000		Note	2017 £000	2017 £000
	Clinical Services Costs			
996,207	Hospital and Community	4	1,768,324	
34,450	Less: Hospital and Community Income	8	761,868	
961,757				1,006,456
310,645	Family Health	5	311,515	
9,415	Less: Family Health Income	8	9,439	
301,230				302,076
1,262,987	**Total Clinical Services Costs**			**1,308,532**
8,835	Administration Costs	6	8,648	
0	Less: Administration Income	8	0	
8,835				8,648
21,257	Other Non Clinical Services	7	63,792	
30,743	Less: Other Operating Income	8	39,130	
(9,486)				24,662
0	Associates and Joint Ventures accounted for on an equity basis			(6,791)
1,262,336	**Net Expenditure**			**1,335,051**

OTHER COMPREHENSIVE NET EXPENDITURE

2016 £000		2017 £000
(18,894)	Net (Gain)/Loss on Revaluation of Property Plant and Equipment	(10,179)
0	Net (Gain)/Loss on Revaluation of Intangibles	0
0	Net (Gain)/Loss on Revaluation of available for sale financial assets	0
(18,894)	Other Comprehensive Expenditure/(Income)	(10,179)
1,243,442	**Total Comprehensive Expenditure**	**1,324,872**

The Notes to the Accounts, numbered 1 to 32, form an integral part of these Accounts.

SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £000
SUMMARY OF CORE REVENUE RESOURCE OUTTURN	
Net Expenditure	**1,335,051**
Total Non Core Expenditure (see below)	(63,073)
FHS Non Discretionary Allocation	(74,900)
Donated Assets Income	55
Endowment Net Operating Costs	380
Associates and Joint Ventures accounted for on an equity basis	6,791
Total Core Expenditure	**1,204,304**
Core Revenue Resource Limit	1,204,514
Saving/(Excess) Against Core Revenue Resource Limit	**210**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN	
Capital Grants to / (from) Other Bodies	88
Depreciation/Amortisation	14,125
Annually Managed Expenditure - Impairments	7,864
Annually Managed Expenditure - Creation of Provisions	34,331
Annually Managed Expenditure - Depreciation of Donated Assets	41
Additional SGHSCD non-core funding	870
IFRS PFI Expenditure	5,754
Total Non Core Expenditure	**63,073**
Non Core Revenue Resource Limit	63,073
Saving/(excess) against Non Core Revenue Resource Limit	**0**

SUMMARY RESOURCE OUTTURN	**Resource** **£000**	**Expenditure** **£000**	**Saving/ (Excess)** **£000**
Core	1,204,514	1,204,304	210
Non Core	63,073	63,073	0
Total	**1,267,587**	**1,267,377**	**210**

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

Consolidated 1 April 2015 £000	Board 1 April 2015 £000	Consolidated 1 April 2016 £000	Board 1 April 2016 £000		Note	Consolidated 31 March 2017 £000	Board 31 March 2017 £000
				Non-Current Assets			
524,807	524,807	550,721	550,721	Property, Plant and Equipment	11	551,226	551,226
2,285	2,285	1,696	1,696	Intangible Assets	10	1,701	1,701
				Financial Assets:			
5,717	976	5,276	976	Available for Sale Financial Assets	14	5,211	976
0	0	0	0	Investments in Associates and Joint Ventures		6,791	0
20,001	20,001	25,760	25,760	Trade and Other Receivables	13	42,489	42,489
552,810	**548,069**	**583,453**	**579,153**	**Total Non-Current Assets**		**607,418**	**596,392**
				Current Assets			
5,363	5,363	5,894	5,894	Inventories	12	6,021	6,021
				Financial Assets:			
40,530	40,549	32,587	32,599	Trade and Other Receivables	13	43,354	43,336
1,268	455	591	419	Cash and Cash Equivalents	15	1,158	530
0	0	0	0	Available for Sale Financial Assets	14	0	0
0	0	0	0	Derivatives Financial Assets	28	0	0
5,916	5,916	4,590	4,590	Assets Classified as Held for Sale	11C	1,415	1,415
53,077	**52,283**	**43,662**	**43,502**	**Total Current Assets**		**51,948**	**51,302**
605,887	**600,352**	**627,115**	**622,655**	**Total Assets**		**659,366**	**647,694**
				Current Liabilities			
(32,402)	(32,402)	(23,005)	(23,005)	Provisions	17	(41,370)	(41,370)
				Financial Liabilities:			
(145,281)	(144,978)	(153,057)	(153,047)	Trade and Other Payables	16	(170,982)	(170,931)
0	0	0	0	Derivatives Financial Liabilities	28	0	0
(177,683)	**(177,380)**	**(176,062)**	**(176,052)**	**Total Current Liabilities**		**(212,352)**	**(212,301)**
428,204	**422,972**	**451,053**	**446,603**	**Non-Current Assets plus/less Net Current Assets/Liabilities**		**447,014**	**435,393**
				Non-Current Liabilities			
(48,619)	(48,619)	(58,578)	(58,578)	Provisions	17	(99,731)	(99,731)
				Financial Liabilities:			
(173,104)	(173,104)	(177,232)	(177,232)	Trade and Other Payables	16	(168,706)	(168,706)
(221,723)	**(221,723)**	**(235,810)**	**(235,810)**	**Total Non-Current Liabilities**		**(268,437)**	**(268,437)**
206,481	**201,249**	**215,243**	**210,793**	**Assets Less Liabilities**		**178,577**	**166,956**
				Taxpayers' Equity			
30,038	30,038	25,155	25,155	General Fund	SOCTE	(28,660)	(28,660)
171,211	171,211	185,638	185,638	Revaluation Reserve	SOCTE	195,616	195,616
0	0	0	0	Other Reserves - Joint Venture	SOCTE	6,791	0
5,232	0	4,450	0	Funds held on Trust	SOCTE	4,830	0
206,481	**201,249**	**215,243**	**210,793**	**Total Taxpayers' Equity**		**178,577**	**166,956**

Adopted by the Board on 28 June 2017

Laura Ace **Director of Finance**

Calum Campbell **Chief Executive**

STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

2016 £000		Note	2017 £000	2017 £000
	Cash Flows from Operating Activities			
(1,261,759)	Net Expenditure		(1,334,879)	
26,137	Adjustments for Non-Cash Transactions		18,839	
18,630	Add Back: Interest Payable Recognised in Net Operating Cost		19,189	
0	Deduct: Interest Receivable Recognised in Net Operating Cost		(78)	
2,182	(Increase)/Decrease in Trade and Other Receivables		(27,455)	
(531)	(Increase)/Decrease in Inventories		(127)	
(11,217)	Increase/(Decrease) in Trade and Other Payables		(16,109)	
562	Increase/(Decrease) in Provisions		59,518	
(1,225,996)	**Net Cash Outflow from Operating Activities**	32		**(1,281,102)**
	Cash Flows from Investing Activities			
(43,347)	Purchase of Property, Plant and Equipment		15,190	
(310)	Purchase of Intangible Assets		(838)	
300	Investment Additions		900	
3,595	Proceeds of Disposal of Property, Plant and Equipment		4,576	
0	Interest Received		78	
(39,762)	**Net Cash Outflow from Investing Activities**	32		**19,906**
	Cash Flows from Financing Activities			
1,252,057	Funding		1,288,206	
(36)	Movement in General Fund Working Capital		111	
1,252,021	Cash Drawn Down		1,288,317	
32,266	Capital Element of Payments in Respect of Finance Leases and On-Balance Sheet PFI Contracts		(7,365)	
411	Interest Paid		472	
(19,041)	Interest Element of Finance Leases and On-Balance Sheet PFI/PPP Contracts		(19,661)	
1,265,657	**Net Financing**	32		**1,261,763**
(677)	**Net Increase/(Decrease) in Cash and Cash Equivalents in the Period**			567
1,268	**Cash and Cash Equivalents at the Beginning of the Period**			591
591	**Cash and Cash Equivalents at the End of the Period**			**1,158**
	Reconciliation of Net Cash Flow to Movement in Net Debt/Cash			
(677)	Increase/(Decrease) in Cash in Year			567
1,268	Net Debt/Cash at 1 April			591
591	**Net Debt/Cash at 31 March**			**1,158**

The Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, Consolidated Balance Sheet, Statement of Consolidated Cash Flows, Statement of Consolidated Changes in Taxpayers' Equity and the Notes to the Accounts, numbered 1 to 32 form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Note	General Fund	Revaluation Reserve	Other Reserve – Associates and Joint Ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2016		25,155	185,638	0	4,450	215,243
Prior Year Adjustments for Changes in Accounting Policy and Material Errors	25	0	0	0	0	0
Balance at 1 April 2016		25,155	185,638	0	4,450	215,243
Changes in Taxpayers' Equity for 2016/17						
Net Gain/(Loss) on Revaluation/Indexation of Property, Plant and Equipment	11	0	23,776	0	0	23,776
Net Gain/(Loss) on Revaluation of Available for Sale Financial Assets	14	0	0	0	(172)	(172)
Impairment of Property, Plant and Equipment	11	0	(21,016)	0	0	(21,016)
Impairment of Intangible Assets	10	0	(446)	0	0	(446)
Revaluation & Impairments Taken to Operating Costs	3	0	7,865	0	0	7,865
Release of Reserves to Statement of Comprehensive Net Expenditure	11b	0	0	0	0	0
Transfers Between Reserves		201	(201)	0	0	0
Other Non Cash Costs		0	0	0	0	0
Net Expenditure for the Year		(1,342,222)	0	6,791	552	(1,334,879)
Total Recognised Income and Expense for 2016/17		(1,342,021)	9,978	6,791	380	(1,324,872)
Funding:						
Drawn Down		1,288,317	0	0	0	1,288,317
Movement in General Fund (Creditor) / Debtor		(111)	0	0	0	(111)
Balance at 31 March 2017	BS	**(28,660)**	**195,616**	**6,791**	**4,830**	**178,577**

The Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, Consolidated Balance Sheet, Statement of Consolidated Cash Flows, Statement of Consolidated Changes in Taxpayers' Equity and the Notes to the Accounts, numbered 1 to 32 form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR
FOR THE YEAR ENDED 31 MARCH 2017

	Note	General Fund	Revaluation Reserve	Other Reserve - Associates and Joint Ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2015		30,038	171,211	0	5,232	206,481
Prior Year Adjustments for Changes in Accounting Policy and Material Errors	25	0	0	0	0	0
Balance at 1 April 2015		30,038	171,211	0	5,232	206,481
Changes in Taxpayers' Equity for 2015/16						
Net Gain/(Loss) on Revaluation/Indexation of Property, Plant and Equipment	11	0	28,361	0	0	28,361
Net Gain/(Loss) on Revaluation of Available for Sale Financial Assets	14	0	0	0	(576)	(576)
Impairment of Property, Plant and Equipment	11	0	(19,217)	0	0	(19,217)
Impairment of Intangible Assets	10	0	0	0	0	0
Revaluation & Impairments Taken to Operating Costs	3	0	9,750	0	0	9,750
Release of Reserves to Statement of Comprehensive Net Expenditure		0	0	0	0	0
Transfers Between Reserves		4,467	(4,467)	0	0	0
Other non cash costs (please specify)		146	0	0	0	146
Net Operating Cost for the Year		(1,261,553)	0	0	(206)	(1,261,759)
Total Recognised Income and Expense for 2015/16		(1,256,940)	14,427	0	(782)	(1,243,295)
Funding:						
Drawn Down		1,252,021	0	0	0	1,252,021
Movement in General Fund (Creditor) / Debtor		36	0	0	0	36
Balance at 31 March 2016	BS	**25,155**	**185,638**	**0**	**4,450**	**215,243**

The Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, Consolidated Balance Sheet, Statement of Consolidated Cash Flows, Statement of Consolidated Changes in Taxpayers' Equity and the Notes to the Accounts, numbered 1 to 32 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 31 below.

(a) Standards, amendments and interpretations effective in 2016/17

There are no new standards, amendments or interpretations effective for the first time this year that have a material impact on the Board's financial statements.

(b) Standards, amendments and interpretations early adopted in 2016/17

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied were in issue but not yet effective:

- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments;
- IFRS16 – Leases;
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Assets;
- IAS 7 – Disclosure Initiative.

The impact of implementing the above is currently being assessed by HM Treasury.

2. Basis of Consolidation

Consolidation

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

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

The Lanarkshire Health Board Endowment Fund is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

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

Note 32 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

None.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

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

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

7.2 Measurement

Valuation

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under an annual programme of professional valuations. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.
Non specialised equipment, installations and fittings are valued at fair value. Lanarkshire Health Board values such assets using a depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values.

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

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

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

Subsequent Expenditure

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

Revaluations and Impairment

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

Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

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

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

7.3 Depreciation

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

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

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

2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.

3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.

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

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

6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Buildings Structure	75
Buildings Engineering	35
Buildings External Plant	30
Office, short life medical and IT	5
Vehicles and soft furnishings	7
Mainframe IT Installations	8
Furniture and medium life medical	10
Engineering plant and long life medical	15

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Software

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

Software licences

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

8.2 Measurement

Valuation

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

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

Revaluation and Impairment

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

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

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

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

8.3 Amortisation

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

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

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

2) Software is amortised over their expected useful life.

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

4) Other intangible assets are amortised over their expected useful life.

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software Licences	5
Information Technology Software	5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

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

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

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

12. Leasing

Finance leases

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

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

Operating leases

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

Leases of land and buildings

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

NHS Lanarkshire does not lease any assets to third parties.

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

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

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

18. Clinical and Medical Negligence Costs

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

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

19. Related Party Transactions

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

20. Value Added Tax

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

21. PFI/HUB/NPD Schemes

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

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

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

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

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

22. Provisions

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

23. Contingencies

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

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

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

The Board classifies its financial assets in the following categories: 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) 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.

(b) Available-for-sale financial assets

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

Recognition and measurement

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

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: 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) 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 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) Other financial liabilities

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

26. Segmental reporting

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

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

The segmental reporting within Note 30 reflects that reported to NHS Lanarkshire Board on a monthly basis. This reflects the financial position at each operating division level (Acute, North and South CHP and Corporate/PSSD) and incorporates additional activities relating to Primary Care wide functions and healthcare providers out with the Board area.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentation currencies of the Board are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the balance sheet date:

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

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

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

29. Third party assets

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

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

30. Key sources of judgement and estimation uncertainty

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

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

- Estimates: Assumptions regarding estimated impairment are applied in line with policy 13 above;
- Estimates: Assumptions underlying the likelihood and outcome of material provisions. The Pension provision is made to cover the future cost of pension payable to former employees of the Board. This is based on expected life tables and provides cover for annual pension payments. Other provisions consist of non-medical claims for damages and future development costs. The non-medical claims provision is based on risk categories assessed by the Central Legal Office (CLO). Settlement of these claims is dependent on legal factors and is normally more than one year after the claim is notified. Future development costs provision is mainly ring fenced funding which is project driven with agreed spend plans which are reflected within the provision. Clinical & Medical negligence claims are provided in line with policy 18 above;
- Estimates: Actuarial assumptions in respect of post-employment benefits are applied in line with policy 17 above;
- Judgement: Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities in line with policy 12 above;
- Property, Plant and equipment is valued at Fair value (market value or depreciated replacement cost where appropriate);
- Estimation of asset lives: The Board has reviewed its methodology for determining useful asset lives to more faithfully reflect the actual pattern of consumption of depreciated replacement cost assets. The methodology adopted takes account of the impact of regular maintenance expenditure to align the lives of certain elements with that of the overall building. This results in a smoother and more consistent depreciation charge over the life of the asset.

2. STAFF COSTS

Total staff costs for the year to 31 March 2017 were £501.6m (2016: £485.1m).
Further detail and analysis of staff costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

3. OTHER OPERATING COSTS

2016 £000		Note	2017 £000
	Expenditure Not Paid In Cash		
17,688	Depreciation	11	19,493
899	Amortisation	10	387
31	Depreciation Donated Assets	11b	41
9,750	Impairments on Property, Plant and Equipment Charged to SOCNE	11	8,547
0	Revaluation Gains on Property, Plant and Equipment Charged to SOCNE	11	(1,128)
0	Impairments on Intangible Assets Charged to SOCNE	10	446
(263)	Funding of Donated Assets		(55)
(2,255)	Loss/(Profit) on Disposal of Property, Plant and Equipment		(1,025)
146	General Fund Adjustment for PFI creditors		0
0	Investments in Associates and Joint Ventures		(6,791)
25,996	**Total Expenditure Not Paid In Cash**	CFS	**19,915**
	Interest Payable		
19,041	PFI Finance Lease Charges Allocated in the Year	23	19,661
(411)	Provisions - Unwinding of Discount		(472)
18,630	**Total**		**19,189**
	Statutory Audit		
270	External Auditor's Remuneration and Expenses		201
0	During the year the Board purchased the following non-audit services from its auditor.		0
0			**0**

Note
All amounts included in this note are included within the expenditure analysis on the face of the SOCNE and this note is for disclosure purposes only.

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2016 £000	BY PROVIDER	Note	2017 £000
742,809	Treatment in Board Area of NHS Scotland Patients		774,839
185,778	Other NHS Scotland Bodies		192,907
1,258	Health Bodies outside Scotland		1,225
1,938	Primary Care Bodies		1,296
10,234	Private Sector		9,243
	Community Care		
0	Support Finance		0
44,910	Resource Transfer		43,765
0	Contribution of Health Board to Integration Joint Board		736,072
8,803	Contributions to Voluntary Bodies and Charities		8,527
995,730	**Total NHS Scotland Patients**		**1,767,874**
477	Treatment of UK Residents Based Outside Scotland		450
996,207	**Total Hospital & Community Health Service**	SOCNE	**1,768,324**

5. FAMILY HEALTH SERVICE EXPENDITURE

2016 £000		Note	Unified Budget 2017 £000	Non Disc 2017 £000	Total 2017 £000
81,479	Primary Medical Services		84,412	0	84,412
167,477	Pharmaceutical Services		141,839	23,239	165,078
48,702	General Dental Services		818	47,671	48,489
12,987	General Ophthalmic Services		107	13,429	13,536
310,645	**Total**	SOCNE	**227,176**	**84,339**	**311,515**

6. ADMINISTRATION COSTS

2016 £000		Note	2017 £000
1,021	Board Members' Remuneration		1,061
207	Administration of Board Meetings and Committees		198
596	Corporate Governance and Statutory Reporting		510
903	Health Planning, Commissioning and Performance Reporting		941
2,067	Treasury Management and Financial Planning		2,031
513	Public Relations		507
3,528	Other		3,400
8,835	**Total Administration Costs**	SOCNE	**8,648**

7. OTHER NON CLINICAL SERVICES

2016 £000			2017 £000
2,491	Nurse Teaching		2,195
0	Closed Hospital Charges		0
1,949	Compensation payments - Clinical		42,551
92	Compensation payments - Other		983
899	Pension Enhancement & Redundancy		429
31	Patients' Travel Attending Hospitals		34
0	Patients' Travel Highlands and Islands Scheme		0
5,823	Health Promotion		5,287
1,595	Public Health		1,542
113	Public Health Medicine Trainees		116
41	Emergency Planning		44
1,910	Post Graduate Medical Education		2,004
0	Shared Services		0
0	Loss on Disposal of Non Current Assets		0
901	Endowment Expenditure		721
5,412	Other		7,886
21,257	**Total Other Non Clinical Services**	SOCNE	**63,792**

8. OPERATING INCOME

2016 £000			2017 £000
	HCH Income		
	NHS Scotland Bodies		
0	SGHSCD		0
28,609	Boards		30,980
477	NHS Non-Scottish Bodies		451
	Non NHS		
15	Private Patients		28
1,924	Compensation Income		2,075
3,425	Other HCH Income		3,619
0	Income for services commissioned by Integration Joint Board		724,715
34,450	**Total HCH Income**	SOCNE	**761,868**
	FHS Income		
0	Unified		0
	Non Discretionary		
9,415	General Dental Services		9,439
0	General Ophthalmic Services		0
9,415	**Total FHS Income**	SOCNE	**9,439**
0	**Administration Income**	SOCNE	**0**
	Other Operating Income		
9,865	NHS Scotland Bodies		9,475
6	NHS Non-Scottish Bodies		0
468	SGHD		527
2,463	Contributions in Respect of Clinical and Medical Negligence Claims		8,794
2,255	Profit on Disposal of Non Current Assets		1,025
263	Donated Assets Additions		54
0	Interest Received	CFS	78
0	Shared Services		0
119	Endowment Income		1,101
15,304	Other		18,076
30,743	**Total Other Operating Income**	SOCNE	**39,130**
74,608	**Total Income**		**810,437**
38,474	**Of the above, the amount derived from NHS bodies is**		**40,455**

9. ANALYSIS OF CAPITAL EXPENDITURE

2016 £000		Note	2017 £000
	EXPENDITURE		
310	Acquisition of Intangible Assets	10	838
34,240	Acquisition of Property, Plant and Equipment	11	17,600
263	Donated Asset Additions	11b	55
34,813	**Gross Capital Expenditure**		**18,493**
	INCOME		
0	Net Book Value of Disposal of Intangible Assets	10	0
0	Net Book Value of Disposal of Property, Plant and Equipment	11	51
0	Net Book Value of Disposal of Donated Assets	11b	0
1,340	Value of Disposal of Non-current Assets Held for Sale	11c	3,500
263	Donated Asset Income		55
1,603	**Capital Income**		**3,606**
33,210	**Net Capital Expenditure**		**14,887**

SUMMARY OF CAPITAL RESOURCE OUTTURN

21,900	Core Capital Expenditure Included Above	14,887
21,900	Core Capital Resource Limit	14,887
0	**Saving against Capital Resource Limit**	**0**
11,310	Non Core Capital Expenditure Included Above	0
11,310	Non Core Capital Resource Limit	0
0	**Saving/(excess) against Non Capital Resource Limit**	**0**
33,210	Total Capital Expenditure	14,887
33,210	Total Capital Resource Limit	14,887
0	**Saving against Total Capital Resource Limit**	**0**

10. INTANGIBLE ASSETS - CONSOLIDATED & BOARD

		Software Licences £000	Information technology - software £000	Total £000
Cost or Valuation:				
As at 1st April 2016		3,796	2,081	5,877
Additions		691	147	838
Disposals		(960)	(351)	(1,311)
At 31st March 2017		**3,527**	**1,877**	**5,404**
Amortisation				
As at 1st April 2016		2,423	1,758	4,181
Provided During the Year		302	85	387
Impairment		446	0	446
Disposals		(960)	(351)	(1,311)
At 31st March 2017		**2,211**	**1,492**	**3,703**
Net Book Value at 1st April 2016		**1,373**	**323**	**1,696**
Net Book Value at 31 March 2017	BS	**1,316**	**385**	**1,701**

10. INTANGIBLE ASSETS - CONSOLIDATED & BOARD PRIOR YEAR

		Software Licences £000	Information technology - software £000	Total £000
Cost or Valuation:				
As at 1st April 2015		3,592	1,983	5,575
Additions		212	98	310
Disposals		(8)	0	(8)
At 31st March 2016		**3,796**	**2,081**	**5,877**
Amortisation				
As at 1st April 2015		2,031	1,259	3,290
Provided During the Year		400	499	899
Disposals		(8)	0	(8)
At 31st March 2016		**2,423**	**1,758**	**4,181**
Net Book Value at 1st April 2015		**1,561**	**724**	**2,285**
Net Book Value at 31 March 2016	B S	**1,373**	**323**	**1,696**

LANARKSHIRE HEALTH BOARD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

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

		Land (including under buildings) £000	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation									
At 1 April 2016		26,158	498,185	281	63,711	28,326	6,419	9,683	632,763
Additions		0	6,272	21	5,337	931	4	5,035	17,600
Completions		0	0	0	0	0	0	0	0
Transfers		0	0	0	485	0	(485)	0	0
Transfers (to)/from Non-current Assets Held for Sale		(885)	0	0	0	0	0	0	(885)
Revaluation		3	4,227	0	0	0	0	0	4,230
Impairment Charge		(3,813)	(9,784)	0	0	0	0	0	(13,597)
Disposals		0	0	(117)	(4,579)	(15,071)	(152)	(9,630)	(29,549)
At 31 March 2017		**21,463**	**498,900**	**185**	**64,954**	**14,186**	**5,786**	**5,088**	**610,562**
Depreciation									
At 1 April 2016		8	1,147	234	42,004	23,505	5,787	9,630	82,315
Provided During the Year		0	13,178	8	4,307	1,955	45	0	19,493
Transfers		0	0	0	322	0	(322)	0	0
Transfers (to)/from Non-current Assets Held for Sale		(560)	0	0	0	0	0	0	(560)
Revaluation		(383)	(19,163)	0	0	0	0	0	(19,546)
Impairment Charge		1,003	7,464	0	80	0	0	0	8,547
Impairment Reversal		0	(1,128)	0	0	0	0	0	(1,128)
Disposals		0	0	(117)	(4,528)	(15,071)	(152)	(9,630)	(29,498)
At 31 March 2017		**68**	**1,498**	**125**	**42,185**	**10,389**	**5,358**	**0**	**59,623**
Net Book Value at 1 April 2016		**26,150**	**497,038**	**47**	**21,707**	**4,821**	**632**	**53**	**550,448**
Net Book Value at 31 March 2017	BS	**21,395**	**497,402**	**60**	**22,769**	**3,797**	**428**	**5,088**	**550,939**
Open Market Value of Land in Land and Dwellings Included above		**6,095**	**0**						
Asset Financing:									
Owned		14,626	225,190	60	22,769	3,797	428	5,088	271,958
On-Balance Sheet PFI contracts		6,769	272,212	0	0	0	0	0	278,981
Net Book Value at 31 March 2017		**21,395**	**497,402**	**60**	**22,769**	**3,797**	**428**	**5,088**	**550,939**

LANARKSHIRE HEALTH BOARD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

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

		Land (including under buildings) £000	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation									
At 1 April 2015		26,695	427,502	353	66,953	26,207	6,248	49,372	603,330
Additions		0	1,931	0	4,451	2,297	190	25,371	34,240
Completions		0	65,060	0	0	0	0	(65,060)	0
Transfers		0	122	0	(122)	0	0	0	0
Revaluation		195	12,320	0	0	0	0	0	12,515
Impairment Charge		(731)	(8,750)	0	0	0	0	0	(9,481)
Disposals		(1)	0	(72)	(7,571)	(178)	(19)	0	(7,841)
At 31 March 2016		**26,158**	**498,185**	**281**	**63,711**	**28,326**	**6,419**	**9,683**	**632,763**
Depreciation									
At 1 April 2015		9	1,112	298	45,164	22,051	5,694	4,236	78,564
Provided During the Year		0	11,471	8	4,465	1,632	112	0	17,688
Transfers		0	54	0	(54)	0	0	0	0
Revaluation		(311)	(15,535)	0	0	0	0	0	(15,846)
Impairment Charge		311	6,060	0	0	0	0	5,394	11,765
Impairment Reversal		0	(2,015)	0	0	0	0	0	(2,015)
Disposals		(1)	0	(72)	(7,571)	(178)	(19)	0	(7,841)
At 31 March 2016		**8**	**1,147**	**234**	**42,004**	**23,505**	**5,787**	**9,630**	**82,315**
Net book value at 1 April 2015		**26,686**	**426,390**	**55**	**21,789**	**4,156**	**554**	**45,136**	**524,766**
Net book value at 31 March 2016	BS	**26,150**	**497,038**	**47**	**21,707**	**4,821**	**632**	**53**	**550,448**
Open Market Value of Land in Land and Dwellings Included above		**13,953**	**0**						
Asset Financing:									
Owned		19,381	229,036	47	21,707	4,821	632	53	275,677
On-Balance Sheet PFI contracts		6,769	268,002	0	0	0	0	0	274,771
Net Book Value at 31 March 2015		**26,150**	**497,038**	**47**	**21,707**	**4,821**	**632**	**53**	**550,448**

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

		Plant & Machinery £000	Total £000
Cost or Valuation			
At 1 April 2016		485	485
Additions		55	55
Disposals		0	0
At 31 March 2017		**540**	**540**
Depreciation			
At 1 April 2016		212	212
Provided During the Year		41	41
Disposals		0	0
At 31 March 2017		**253**	**253**
Net book value at 1 April 2016		**273**	**273**
Net book value at 31 March 2017	BS	**287**	**287**
Asset Financing:			
Owned		287	287
Net Book Value at 31 March 2017		**287**	**287**

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

		Plant & Machinery £000	Total £000
Cost or Valuation			
At 1 April 2015		264	264
Additions		263	263
Disposals		(42)	(42)
At 31 March 2016		**485**	**485**
Depreciation			
At 1 April 2015		223	223
Provided During the Year		31	31
Disposals		(42)	(42)
At 31 March 2016		**212**	**212**
Net book value at 1 April 2015		**41**	**41**
Net book value at 31 March 2016	BS	**273**	**273**
Asset Financing:			
Owned		273	273
Net Book Value at 31 March 2016		**273**	**273**

11 (c). ASSETS HELD FOR SALE

ASSETS HELD FOR SALE - CONSOLIDATED

The following assets related to surplus land at the former Alexander, Roadmeetings, Hartwood & Hartwoodhill Hospitals have been presented as held for sale following the approval for sale by NHS Lanarkshire Capital Investment Group. These properties were being marketed for sale in 2016/17.

		Property, Plant & Equipment £000	Total £000
At 1 April 2016		4,590	4,590
Transfers (to)/from Property, Plant and Equipment	11a	325	325
Disposals of Non-current Assets Held for Sale		(3,500)	(3,500)
As At 31 March 2017	BS	**1,415**	**1,415**

ASSETS HELD FOR SALE - BOARD

		Property, Plant & Equipment £000	Total £000
At 1 April 2016		4,590	4,590
Transfers (to)/from Property, Plant and Equipment	11a	325	325
Disposals of Non-current Assets Held for Sale		(3,500)	(3,500)
As At 31 March 2017	BS	**1,415**	**1,415**

ASSETS HELD FOR SALE PRIOR YEAR - CONSOLIDATED

		Property, Plant & Equipment £000	Total £000
At 1 April 2015		5,916	5,916
Gains/Losses Recognised on Remeasurement of Non-current Assets Held for Sale		14	14
Disposals of Non-current Assets Held for Sale		(1,340)	(1,340)
As At 31 March 2016	BS	**4,590**	**4,590**

ASSETS HELD FOR SALE PRIOR YEAR - BOARD

		Property, Plant & Equipment £000	Total £000
At 1 April 2015		5,916	5,916
Gains/Losses Recognised on Remeasurement of Non-current Assets Held for Sale		14	14
Disposals of Non-current Assets Held for Sale		(1,340)	(1,340)
As At 31 March 2016	BS	**4,590**	**4,590**

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 31 March 2016 £000	Board 31 March 2016 £000			Consolidated 31 March 2017 £000	Board 31 March 2017 £000
		Net book value of Property, Plant and Equipment at 31 March			
550,448	550,448	Purchased	11a	550,939	550,939
273	273	Donated	11b	287	287
550,721	**550,721**	**Total**	B S	**551,226**	**551,226**
13,953	13,953	Net Book Value Related to Land Valued at Open Market Value at 31 March		6,095	6,095
0	0	Net Book Value Related to Buildings Valued at Open Market Value at 31 March		0	0
		Total Value of Assets Held Under:			
0	0	Finance Leases		0	0
0	0	Hire Purchase Contracts		0	0
274,771	274,771	PFI and PPP contracts		278,981	278,981
274,771	**274,771**			**278,981**	**278,981**
		Total Depreciation Charged in Respect of Assets Held Under:			
0	0	Finance Leases		0	0
0	0	Hire Purchase Contracts		0	0
4,930	4,930	PFI and PPP contracts		5,754	5,754
4,930	**4,930**			**5,754**	**5,754**

Property was fully revalued by an independent valuer, Gerald Eve at 31 March 2017 on the basis of fair value (market value or depreciated replacement cost where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase in value of £10.179m, (2015-16 increase of £18.894m) which was credited to the revaluation reserve. Impairment of £7.864m (2015-16 £9.750m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

12. INVENTORIES

Consolidated 1 April 2015 £000	Board 1 April 2015 £000	Consolidated 1 April 2016 £000	Board 1 April 2016 £000			Consolidated 31 March 2017 £000	Board 31 March 2017 £000
5,363	5,363	5,894	5,894	Raw Materials and Consumables		6,021	6,021
5,363	**5,363**	**5,894**	**5,894**	**Total Inventories**	B S	**6,021**	**6,021**

13. TRADE AND OTHER RECEIVABLES

Consolidated 1 April 2015 £000	Board 1 April 2015 £000	Consolidated 1 April 2016 £000	Board 1 April 2016 £000		Note	Consolidated 31 March 2017 £000	Board 31 March 2017 £000
				Receivables Due Within One Year			
				NHS Scotland			
48	48	20	20	- SGHSCD		226	226
1,140	1,140	2,262	2,262	- Boards		1,559	1,559
1,188	**1,188**	**2,282**	**2,282**	**Total NHS Scotland Receivables**		**1,785**	**1,785**
300	300	164	164	NHS Non-Scottish Bodies		156	156
0	0	0	0	General Fund Receivable		0	0
3,337	3,337	3,557	3,557	VAT Recoverable		3,532	3,532
7,796	7,796	7,344	7,344	Prepayments		8,521	8,521
2,997	3,016	4,485	4,485	Accrued Income		4,773	4,773
3,874	3,874	2,788	2,800	Other Receivables		3,593	3,575
21,038	21,038	11,967	11,967	Reimbursement of Provisions		20,994	20,994
0	0	0	0	Other Public Sector Bodies		0	0
40,530	**40,549**	**32,587**	**32,599**	**Total Receivables Due Within One Year**	BS	**43,354**	**43,336**
				Receivables Due After More Than One Year			
				NHS Scotland			
0	0	0	0	- SGHSCD		0	0
0	0	0	0	- Boards		0	0
0	0	0	0	Other Public Sector Bodies		0	0
457	457	428	428	Prepayments		370	370
0	0	0	0	Accrued Income		0	0
0	0	0	0	Other Receivables		0	0
19,544	19,544	25,332	25,332	Reimbursement of Provisions		42,119	42,119
20,001	**20,001**	**25,760**	**25,760**	**Total Receivables Due After More Than One Year**	BS	**42,489**	**42,489**
60,531	**60,550**	**58,347**	**58,359**	**TOTAL RECEIVABLES**		**85,843**	**85,825**
716	716	533	533	The total receivables figure above includes a provision for impairments of :		645	645
				WGA Classification			
1,140	1,140	2,262	2,262	NHS Scotland		1,559	1,559
3,385	3,385	3,577	3,577	Central Government Bodies		3,801	3,801
2,363	2,363	990	990	Whole of Government Bodies		810	810
300	300	164	164	Balances with NHS Bodies in England and Wales		156	156
53,343	53,362	51,354	51,366	Balances with Bodies External to Government		79,517	79,499
60,531	**60,550**	**58,347**	**58,359**			**85,843**	**85,825**

13. TRADE AND OTHER RECEIVABLES CONTINUED

Consolidated 31 March 2016 £000	Board 31 March 2016 £000	Movements on the Provision for Impairment of Receivables are as follows:	Consolidated 31 March 2017 £000	Board 31 March 2017 £000
716	716	At 1 April	533	533
281	281	Provision for receivables impairment	369	369
(81)	(81)	Receivables written off during the year as uncollectible	(25)	(25)
(383)	(383)	Unused amounts reversed	(232)	(232)
533	533	At 31 March	645	645

As at 31 March 2017, receivables with a carrying value of £0.645m (2015-16 £0.533m) were impaired and provided for.
The amount of the provision was £0.645m (2015-16 £0.533m). The aging of these receivables is as follows:

£000	£000		£000	£000
172	172	3 to 6 months past due	116	116
361	361	Over 6 months past due	529	529
533	533		645	645

The receivables assessed as individually impaired include companies, patients and staff, which are in unexpected difficult economic situations and it was assessed that not all of the receivable balance may be recovered.
Receivables are impaired only where there is evidence of impairment. As at 31 March 2017, receivables of carrying value of £4.863m (2015-16 £4.530m) were past their due date but not impaired.
The ageing of receivables which are past due but not impaired are as follows:

£000	£000		£000	£000
4,530	4,530	Up to 3 months past due	4,863	4,863
0	0	3 to 6 months past due	0	0
0	0	Over 6 months past due	0	0
4,530	4,530		4,863	4,863

The receivables assessed as past due but not impaired include companies, patients and staff and there is no history of default from these customers recently.
Concentration of credit risk is limited due to the customer base being large and unrelated and government bodies.
Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.
The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.
Receivables that are neither past due nor impaired are shown by their credit risk below;

1 April 2016 £000	1 April 2016 £000	Counterparties with external credit ratings	31 March 2017 £000	31 March 2017 £000
0	0	A	0	0
0	0	BB	0	0
0	0	BBB	0	0
		Counterparties with no external credit rating:		
0	0	New customers	0	0
0	0	Existing customers with no defaults in the past	0	0
53,829	53,829	Existing customers with some defaults in the past	80,962	80,962
53,829	53,829		80,962	80,962

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

£000	£000	The carrying amount of receivables are denominated in the following currencies:	£000	£000
58,347	58,359	Pounds	85,843	85,825
0	0	Euros	0	0
0	0	US Dollars	0	0

All non-current receivables are due within 20 years (2015-16 20 years) from the balance sheet date.
The carrying amount of short term receivables approximates their fair value.
The fair value of long term other receivables is £42.489m (2015-16 £25.760m)
The effective interest rate on non-current other receivables is 2.2% (2015-16 2.2%)

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 1 April 2015 £000	Board 1 April 2015 £000	Consolidated 1 April 2016 £000	Board 1 April 2016 £000			Consolidated 31 March 2017 £000	Board 31 March 2017 £000
0	0	0	0	Government Securities		0	0
5,717	976	5,276	976	Other		5,211	976
5,717	**976**	**5,276**	**976**	**TOTAL**	BS	5,211	976

£000	£000	£000	£000			£000	£000
5,216	976	5,717	976	At 1 April		5,276	976
139	0	155	0	Additions		127	0
(20)	0	(20)	0	Disposals		(20)	0
0	0	0	0	Impairment Recognised in Operating Cost Statement	3	0	0
382	0	(576)	0	Revaluation Surplus/(Deficit) Transferred to Equity		(172)	0
5,717	**976**	**5,276**	**976**	At 31 March		**5,211**	**976**
0	0	0	0	**Current**	BS	0	0
5,717	976	5,276	976	**Non-current**	BS	5,211	976
5,717	**976**	**5,276**	**976**	**At 31 March**		**5,211**	**976**

Other financial assets comprise of an investment of £975,164 in Hub SW NHSL Holdco Ltd in the form of 10.50% fixed coupon unsecured loan notes. This is repayable in full with interest over a period of 25 years to NHS Lanarkshire.

15. CASH AND CASH EQUIVALENTS

	Note	At 1 April 2016 £000	Cash Flow £000	At 31 March 2017 £000
Government Banking Service Account Balance		375	110	485
Cash at Bank and In Hand		44	1	45
Endowment Cash		172	456	628
Total Cash and Cash Equivalents - Balance Sheet	BS	591	567	1,158
Overdrafts	16	0	0	0
Total Cash - Cash Flow Statement		**591**	**567**	**1,158**
		CFS		CFS

Prior Year	Note	At 1 April 2015 £000	Cash Flow £000	At 31 March 2016 £000
Government Banking Service Account Balance		412	(37)	375
Cash at Bank and In Hand		43	1	44
Endowment Cash		813	(641)	172
Total Cash and Cash Equivalents - Balance Sheet	**BS**	**1,268**	**(677)**	**591**
Overdrafts	16	0	0	0
Total Cash - Cash Flow Statement		**1,268**	**(677)**	**591**
		CFS		CFS

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

16. TRADE AND OTHER PAYABLES

Consolidated 1 April 2015 £000	Board 1 April 2015 £000	Consolidated 1 April 2016 £000	Board 1 April 2016 £000		Note	Consolidated 31 March 2017 £000	Board 31 March 2017 £000
				Payables Due Within One Year			
				NHSScotland			
10,755	10,755	14,222	14,222	- Boards		12,222	12,222
10,755	**10,755**	**14,222**	**14,222**	**Total NHS Scotland Payables**		**12,222**	**12,222**
783	783	858	858	NHS Non-Scottish Bodies		381	381
455	455	419	419	General Fund Payable		530	530
42,847	42,847	45,448	45,448	FHS Practitioners		41,544	41,544
10,317	10,317	14,474	14,464	Trade Payables		9,888	9,837
43,530	43,227	45,550	45,550	Accruals		59,793	59,793
2,178	2,178	2,860	2,860	Deferred income		14,877	14,877
7,537	7,537	8,112	8,112	Net Obligations Under PPP/PFI/Hub Contracts	23	9,273	9,273
9,093	9,093	9,246	9,246	Income Tax and Social Security		10,056	10,056
6,346	6,346	6,874	6,874	Superannuation		6,993	6,993
3,135	3,135	4,734	4,734	Holiday Pay accrual		5,211	5,211
7,741	7,741	0	0	Clinical/Medical Negligence Claims		0	0
564	564	260	260	Other Payables		214	214
145,281	**144,978**	**153,057**	**153,047**	**Total Payables Due Within One Year**	BS	**170,982**	**170,931**
				Payables Due After More Than One Year			
				NHS Scotland			
8,661	8,661	9,359	9,359	Net obligations under PPP/PFI/Hub Contracts due within 2 years	23	10,649	10,649
33,940	33,940	37,301	37,301	Net obligations under PPP/PFI/Hub Contracts due after 2 years but within 5 years	23	33,723	33,723
102,940	102,940	130,572	130,572	Net Obligations Under PPP/PFI/Hub Contracts Due After 5 Years	23	124,334	124,334
27,563	27,563	0	0	Liabilities in relation to Hub Assets under construction		0	0
173,104	**173,104**	**177,232**	**177,232**	**Total Payables due After More Than One Year**	BS	**168,706**	**168,706**
318,385	**318,082**	**330,289**	**330,279**	**TOTAL PAYABLES**		**339,688**	**339,637**
				WGA Classification			
10,755	10,755	14,222	14,222	NHS Scotland		12,222	12,222
15,401	15,401	16,340	16,340	Central Government Bodies		17,262	17,262
227	227	233	233	Whole of Government Bodies		575	575
783	783	858	858	Balances with NHS Bodies in England and Wales		381	381
291,219	290,916	298,636	298,626	Balances with Bodies External to Government		309,248	309,197
318,385	**318,082**	**330,289**	**330,279**			**339,688**	**339,637**

16. TRADE AND OTHER PAYABLES CONTINUED

Consolidated 31 March 2016 £000	Board 31 March 2016 £000	Borrowings Included Above Comprise:	Consolidated 31 March 2017 £000	Board 31 March 2017 £000
0	0	Bank Overdrafts	0	0
0	0	Finance Leases	0	0
185,344	185,344	PFI/Hub Contracts	177,979	177,979
185,344	**185,344**		**177,979**	**177,979**

The carrying amount and fair value of the non-current borrowings are as follows:

£000	£000	Carrying Amount	Carrying amount £000	Carrying amount £000
0	0	Finance Leases	0	0
177,232	177,232	PFI/Hub Contracts	168,706	168,706
177,232	**177,232**		**168,706**	**168,706**

The carrying amount and fair value of the non-current borrowings are as follows:

		Fair Value	Fair value £000	Fair value £000
0	0	Finance Leases	0	0
177,232	177,232	PFI/Hub Contracts	168,706	168,706
177,232	**177,232**		**168,706**	**168,706**

The carrying amount of short term payables approximates to their fair value.

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

£000	£000		£000	£000
330,289	330,279	Pounds	339,688	339,637
0	0	Euros	0	0
0	0	US Dollars	0	0
330,289	**330,279**		**339,688**	**339,637**

17. PROVISIONS - Consolidated and Board

	Pensions and Similar Obligations £000	Clinical & Medical £000	Participation in CNORIS £'000	Other £000	Total £000	
At 1 April 2016	11,596	37,831	31,566	590	81,583	
Arising During the Year	1,327	31,504	42,030	108	74,969	
Utilised During the Year	(860)	(2,502)	(2,610)	(137)	(6,109)	
Unwinding of Discount	31	(461)	(40)	(2)	(472)	
Reversed Unutilised	(267)	(1,913)	(6,609)	(81)	(8,870)	
At 31 March 2017	**11,827**	**64,459**	**64,337**	**478**	**141,101**	B S

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

Analysis of Expected Timing of Discounted Flows

	Pensions and Similar Obligations £000	Clinical & Medical £000	Participation in CNORIS £'000	Other £000	Total £000
Payable in one year	1,490	21,766	17,660	454	41,370
Payable between 2 - 5 years	3,353	35,883	38,535	24	77,795
Payable between 6 - 10 years	3,668	944	1,846	0	6,458
Thereafter	3,316	5,866	6,296	0	15,478
At 31 March 2017	**11,827**	**64,459**	**64,337**	**478**	**141,101**

PRIOR YEAR

	Pensions and Similar Obligations £000	Clinical & Medical £000	Participation in CNORIS £'000	Other £000	Total £000	
At 1 April 2015	12,337	33,852	33,399	1,433	81,021	
Arising During the Year	471	8,913	9,347	104	18,835	
Utilised During the Year	(886)	(3,257)	(2,925)	(608)	(7,676)	
Unwinding of Discount	31	(380)	(57)	(5)	(411)	
Reversed Unutilised	(357)	(1,297)	(8,198)	(334)	(10,186)	
At 31 March 2016	**11,596**	**37,831**	**31,566**	**590**	**81,583**	B S

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

Analysis of Expected Timing of Discounted Flows

	Pensions and Similar Obligations £000	Clinical & Medical £000	Participation in CNORIS £'000	Other £000	Total £000
Payable in one year	1,513	11,814	9,103	575	23,005
Payable between 2 - 5 years	3,354	19,027	12,448	15	34,844
Payable between 6 - 10 years	3,563	944	1,171	0	5,678
Thereafter	3,166	6,046	8,844	0	18,056
At 31 March 2016	**11,596**	**37,831**	**31,566**	**590**	**81,583**

17. PROVISIONS - Consolidated and Board continued

	Pensions and Similar Obligations	Clinical & Medical	Participation in CNORIS	Other	Total
	£000	£000	£'000	£000	£000
At 1 April 2014	11,949	37,277	36,907	1,933	88,066
Arising During the Year	1,557	14,724	0	51	16,332
Utilised During the Year	(892)	(3,172)	0	(188)	(4,252)
Unwinding of Discount	40	(702)	0	(14)	(676)
Reversed Unutilised	(317)	(14,275)	(3,508)	(349)	(18,449)
At 31 March 2015	**12,337**	**33,852**	**33,399**	**1,433**	**81,021**

B S

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

Analysis of Expected Timing of Discounted Flows - 31 March 2015

	Pensions	Clinical & Medical	Participation in CNORIS	Other	Total
	£000	£000	£'000	£000	£000
Payable in one year	1,621	9,652	19,706	1,423	32,402
Payable between 2 - 5 years	3,442	17,029	13,693	10	34,174
Payable between 6 - 10 years	3,756	927	0	0	4,683
Thereafter	3,518	6,244	0	0	9,762
At 31 March 2015	**12,337**	**33,852**	**33,399**	**1,433**	**81,021**

17. PROVISIONS CONTINUED

Pensions

The Board meets the additional costs of benefits beyond the normal NHS Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the NHS Superannuation Scheme for Scotland over the period between early departure and normal retirement age. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for estimated payments discounted by the Treasury discount rate of 0.24% (2015-16 1.37%) in real terms. The expenditure is incurred over the period of time according to estimated life expectancy as advised by the Government Actuary.

Clinical & Medical

The Board holds a provision to meet costs of all outstanding and potential clinical and medical damage claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.
The discount rate used to assess the time value of money is -2.70% (2015-16(-1.55%)).

Other

Provision is made to cover non medical claims for damages, such as accidents at work, third party claims and administrative failures.

The provision is based on risk categories assessed by the Central Legal Office (CLO).
Settlement of these claims is dependent on legal factors and is normally more than one year after the claim is notified.

Also included here are provisions for future development costs.

The discount rate used to assess the time value of money is -2.70% (2015-16 (-1.55%)).

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

2015 £'000	2016 £'000		Note	2017 £'000
34,162	37,952	Provision recognising individual claims against the NHS Board as at 31 March	17	64,580
(40,582)	(37,299)	Associated CNORIS receivable at 31 March	13	(63,113)
33,399	31,566	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	64,337
26,979	**32,219**	**Net Total Debtor relating to CNORIS at 31 March**		**65,804**

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

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

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

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

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

18. MOVEMENT ON WORKING CAPITAL BALANCES

31 March 2016 Net Movement £000		Note	1 April 2016 Opening Balances £000	31 March 2017 Closing Balances £000	31 March 2017 Net Movement £000
	INVENTORIES				
(531)	Balance Sheet	12	5,894	6,021	
(531)	**Net Decrease/(Increase)**				**(127)**
	TRADE AND OTHER RECEIVABLES				
7,950	Due Within One Year	13	32,599	43,336	
(5,759)	Due After More Than One Year	13	25,760	42,489	
			58,359	85,825	
0	Less: Property, Plant & Equipment (Capital) Included in Above		0	0	
0	Less: Intangible Assets (Capital) Included in Above		0	0	
0	Less: General Fund Receivable Included in Above		0	0	
			58,359	85,825	
2,191	**Net Decrease/(Increase)**				**(27,466)**
	TRADE AND OTHER PAYABLES				
8,069	Due Within One Year	16	153,047	170,931	
4,128	Due After More Than One Year	16	177,232	168,706	
9,107	Less: Property, Plant & Equipment (Capital) Included in Above		39,427	6,637	
0	Less: Intangible Assets (Capital) Included in Above	16	0	0	
0	Less: Bank Overdraft	16	0	0	
36	Less: General Fund Payable Included in Above	16	(419)	(530)	
(32,266)	Less: Lease and PFI / HUB Payables Included in Above		(185,344)	(177,979)	
0	Less : Interest Payable Included in Above		0	0	
			183,943	167,765	
(10,926)	**Net (Decrease)/Increase**				**(16,178)**
	PROVISIONS				
562	Balance Sheet	17	81,583	141,101	
0	Transfer from Provision to General Fund		0	0	
562	**Net (Decrease)/Increase**				**59,518**
(8,704)	**NET MOVEMENT (Decrease)/Increase**	CFS			**15,747**

19. CONTINGENT LIABILITIES

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

31 March 2016 Value £000	Nature	31 March 2017 Value £000
16,567	**Clinical and Medical Compensation Payments**	25,568
	Contingent assets and liabilities arising from clinical medical compensation claims are recognised where uncertainties exist around one or more future events such as timing and cost	
16,567		**25,568**

The Board has not entered into any of the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37, since the possibility of a transfer of economic benefits in settlement is too remote.

Guarantees

None

Indemnities

None

Letter of comfort

None

	CONTINGENT ASSETS	
15,583	**Clinical and Medical Compensation Payments**	24,598
0	**Employer's Liability**	0
15,583		**24,598**

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period having a material effect on the accounts are:

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

21. COMMITMENTS

Capital Commitments

The Board has the following Capital Commitments which have not been included in the accounts.

31 March 2016 £000		Property Plant and Equipment 31 March 2017 £000	Intangible Assets 31 March 2017 £000	Total 31 March 2017 £000
	Contracted			
10,876	Monklands Replacement of Theatres & ICU	4,101	0	4,101
0	Decontamination Estate Works at Acute Sites	1,408	0	1,408
0	Hairmyres Ophthalmology Increased Capacity	103	0	103
0	Wishaw Neonatal Accommodation Upgrade	123	0	123
0	Monklands RAT & Day Surgery re-design	643	0	643
0	Monklands Same Day Admissions Unit re-design	369	0	369
10,876		**6,747**	**0**	**6,747**
	Authorised but not Contracted			
	Significant commitments over £250,000 authorised by the Board are:			
935	Monklands Business Continuity	799	0	799
0	Laboratory Information Management System	0	2,328	2,328
935	**Total**	**799**	**2,328**	**3,127**

Other Financial Commitments

The Board has not entered into any significant non-cancellable contracts other than leases, capital commitments and PFI contracts.

22. COMMITMENTS UNDER LEASES

31 March 2016 £000	Operating Leases	31 March 2017 £000
	Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.	
	Obligations Under Operating Leases Comprise:	
	Land	
0	Not Later Than One Year	0
0	Later than one year, not later than 2 years	0
1	Later Than Two Years, Not Later Than Five Years	1
3	Later Than Five Years	3
	Buildings	
1,234	Not Later Than One Year	1,273
1,194	Later than one year, not later than 2 years	1,102
2,685	Later Than Two Years, Not Later Than Five Years	2,713
3,228	Later Than Five Years	2,640
	Other	
3,042	Not Later Than One Year	3,126
2,675	Later than one year, not later than 2 years	2,491
1,187	Later Than Two Years, Not Later Than Five Years	673
0	Later Than Five Years	0
	Amounts Charged to Operating Costs in the Year Were:	
3,847	Hire of Equipment (Including Vehicles)	3,388
2,450	Other Operating Leases	2,748
6,297	**Total**	**6,136**
	Contingent Rents Recognised as an Expense in the Period Were:	
0	Contingent Rents	0

Finance Leases

None

23. COMMITMENTS UNDER PFI CONTRACTS - ON BALANCE SHEET

ON BALANCE SHEET

Hairmyres Hospital

The provision of a large general hospital. The period of contract is 26 March 2001 to 30 June 2031. The estimated capital value is £73.538m. The hospital and services are provided under a contract between Lanarkshire Health Board and Prospect Healthcare (Hairmyres) Limited, with hard and soft facilities management services being supplied under a subcontract to ISS Mediclean Limited. The hospital building is provided by way of a capital rental which is non indexed linked and is profiled for the duration of the contract. Major maintenance, risk overhead and margin are set within the contracts financial framework but these increase on an annual basis in line with the retail price index. Hard facilities management services include the provision of estates services, information technology, window cleaning, pest control and energy services. These services are subject to increase in line with the retail price index.

Soft facilities management services includes full provision of catering services for patients and staff, housekeeping/ward hostess, linen, portering, transport, security, switchboard and waste management. These services are subject to increase in line with the retail price index.

The services provided are subject to a performance regime where reductions in the payments charged are recovered in line with the performance measurement regime. The services provided are subject to "market testing" every seven years.

Wishaw Hospital

The provision of a large general hospital. The period of contract is 28 May 2001 to 30 November 2028.

The estimated capital value is £150.695m. The hospital and services are provided under a contract between Lanarkshire Health Board and Summit Healthcare (Wishaw) Limited, with hard and soft facilities management services being supplied under a subcontract to SERCO Health Limited. A managed radiology service is provided by Siemens Ltd. and under this service all major radiology diagnostic equipment is provided, maintained and replaced in line with an investment programme. This sum is fixed within the contract and increased in line with the retail price index. The hospital building is provided by way of an Availability Payment which is largely non indexed linked and is profiled for the duration of the contract. Life cycle maintenance costs and insurance are set within the contracts financial framework but these increase on an annual basis in line with the retail price index. Hard facilities management services include the provision of estates and energy services. These services are subject to increase in line with the retail price index. Soft facilities management services include full provision of catering services for patients and staff, cleaning/domestics, linen, portering, security, switchboard and waste management.

The services are set to increase in line with the retail price index. The services provided are subject to a Performance Regime where reductions in the payments charged are recovered in line with the performance measurement regime. The services provided are subject to “market testing” every seven years.

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Stonehouse Hospital

The provision of a small community hospital. The period of contract is 1 May 2004 to 30 April 2034.

The estimated capital value is £4.282m. The hospital is provided under a contract between Lanarkshire Health Board and Stonehouse Hospitals Limited, with the service arrangements provided internally by Lanarkshire Health Board.

Hub Projects

The provision of three community Health Centres in East Kilbride, Kilsyth and Wishaw under the Scottish Future Trust Hubco leased model.

These new facilities opened in 2015/16 and are provided by hub South West Scotland under a 25 year contract. The Hubco provides the centres and is responsible for lifecycle and hard facilities management services which are delivered under a subcontract with Graham Facilities Management Ltd. The contract is managed under a performance regime with deduction applied to the payment for performance failures. The current estimated capital value of these facilities is £39.486m.

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

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

2014/15 £000	2015/16 £000	Gross Minimum Lease Payments	Hairmyres 2016/17 £000	Wishaw 2016/17 £000	Stonehouse 2016/17 £000	Hub 2016/17 £000	Total 2016/17 £000
23,720	26,462	Rentals Due Within 1 Year	7,955	15,472	434	3,698	27,559
24,121	26,889	Due within 1 to 2 years	8,117	15,769	434	3,663	27,983
74,831	83,566	Due Within 2 to 5 Years	16,732	49,425	1,303	10,989	78,449
166,544	211,354	Due After 5 Years	0	130,745	5,210	65,934	201,889
289,216	**348,271**	**Total**	**32,804**	**211,411**	**7,381**	**84,284**	**335,880**

2014/15 £000	2015/16 £000	Less Interest Element	Hairmyres 2016/17 £000	Wishaw 2016/17 £000	Stonehouse 2016/17 £000	Hub 2016/17 £000	Total 2016/17 £000
(16,183)	(18,350)	Rentals Due Within 1 Year	(2,610)	(12,307)	(356)	(3,013)	(18,286)
(15,460)	(17,530)	Due within 1 to 2 years	(2,071)	(11,954)	(348)	(2,961)	(17,334)
(40,891)	(46,265)	Due Within 2 to 5 Years	(2,236)	(32,960)	(984)	(8,546)	(44,726)
(63,604)	(80,782)	Due After 5 Years	0	(43,846)	(2,339)	(31,370)	(77,555)
(136,138)	**(162,927)**	**Total**	**(6,917)**	**(101,067)**	**(4,027)**	**(45,890)**	**(157,901)**

2014/15 £000	2015/16 £000	Present Value of Minimum Lease Payments	Hairmyres 2016/17 £000	Wishaw 2016/17 £000	Stonehouse 2016/17 £000	Hub 2016/17 £000	Total 2016/17 £000
7,537	8,112	Rentals Due Within 1 Year	5,345	3,165	78	685	9,273
8,661	9,359	Due within 1 to 2 years	6,046	3,815	86	702	10,649
33,940	37,301	Due Within 2 to 5 Years	14,496	16,465	319	2,443	33,723
102,940	130,572	Due After 5 Years	0	86,899	2,871	34,564	124,334
153,078	**185,344**	**Total**	**25,887**	**110,344**	**3,354**	**38,394**	**177,979**

Total 2014/15 £000	Total 2015/16 £000		Total 2016/17 £000
29,024	29,077	Service Charges	29,467
16,801	19,041	Interest Charges	19,661
0	0	Other Charges	0
45,825	**48,118**	**Total**	**49,128**

2014/15 £000	2015/16 £000		Total 2016/17 £000
476	682	Contingent Rents (included in other charges)	741

24. PENSION COSTS

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

The employer contribution rate for the period from 1 April 2015 was 14.9% of pensionable pay. While the employee rate applied is variable it will provide an actuarial yield of 9.8% of pensionable pay. At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employers contribution rate.

NHS Lanarkshire has no liability for other employers obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2016 were £739.2 million. NHS Lanarkshire's level of participation in the scheme is 6.8% based on the proportion of employer contributions paid on 2014-15.

The scheme is an unfunded multi-employer defined scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme as NHS Lanarkshire is unable to identify its share of the underlying assets and liabilities of the scheme.

The participation rate of 6.8% is calculated as the PY pension costs per the note £50.804m over the total contributions disclosed on the scheme for 2015/16 (£49.722m). This is because the total contributions for 2016/17 are not yet reported.

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.

Pre 2008 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 Consumer Price Index.

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

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

24. PENSION COSTS CONTINUED

Arrangements from 2008:

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

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

Arrangements from 2015:

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54th of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Price Index (CPI). This continues until the member leaves the scheme or retires. In 2015-16 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

	2016/17	2015/16
	£000	£000
Pension Cost Charge For the Year	50,804	49,722
Additional Costs Arising From Early Retirement	0	0
Provisions/Liabilities/Prepayments Included in the Balance Sheet	11,827	11,596

25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

There were no exceptional items or prior year adjustments in the financial year.

26a. RESTATED FINANCIAL STATEMENTS

There were no exceptional items or prior year adjustments in the financial year.

27. FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

CONSOLIDATED AT 31 MARCH 2017	Note	Loans and Receivables £000	Available for Sale £000	Total £000
Assets Per Balance Sheet				
Investments	14	0	5,211	5,211
Trade and Other Receivables Excluding Prepayments, Reimbursements of Provisions and VAT Recoverable.	13	8,522	0	8,522
Cash and Cash Equivalents	15	1,158	0	1,158
		9,680	**5,211**	**14,891**

BOARD AT 31 MARCH 2017	Note	Loans and Receivables £000	Available for Sale £000	Total £000
Assets Per Balance Sheet				
Investments	14	0	976	976
Trade and Other Receivables Excluding Prepayments, Reimbursements of Provisions and VAT Recoverable.	13	8,504	0	8,504
Cash and Cash Equivalents	15	530	0	530
		9,034	**976**	**10,010**

CONSOLIDATED (Prior Year) AT 31 MARCH 2016	Note	Loans and Receivables £000	Available for Sale £000	Total £000
Assets Per Balance Sheet				
Investments	14	0	5,276	5,276
Trade and Other Receivables Excluding Prepayments, Reimbursements of Provisions and VAT Recoverable.	13	7,437	0	7,437
Cash and Cash Equivalents	15	591	0	591
		8,028	**5,276**	**13,304**

BOARD AT 31 MARCH 2016	Note	Loans and Receivables £000	Available for Sale £000	Total £000
Assets Per Balance Sheet				
Investments	14	0	976	976
Trade and Other Receivables Excluding Prepayments, Reimbursements of Provisions and VAT Recoverable.	13	7,449	0	7,449
Cash and Cash Equivalents	15	419	0	419
		7,868	**976**	**8,844**

27. FINANCIAL INSTRUMENTS CONTINUED

Financial Liabilities

CONSOLIDATED

AT 31 MARCH 2017	Note	Other Financial Liabilities £000	Total £000
Liabilities Per Balance Sheet			
PFI / Hub Liabilities	16	177,979	177,979
Trade and Other Payables excluding Statutory Liabilities (VAT and Income Tax and Social Security) Deferred Income and Superannuation	16	117,561	117,561
		295,540	**295,540**

BOARD

AT 31 MARCH 2017	Note	Other Financial Liabilities £000	Total
Liabilities Per Balance Sheet			
PFI / Hub Liabilities	16	177,979	177,979
Trade and Other Payables excluding Statutory Liabilities (VAT and Income Tax and Social Security) Deferred Income and Superannuation	16	117,510	117,510
		295,489	**295,489**

CONSOLIDATED (Prior Year)

AT 31 MARCH 2016	Note	Other Financial Liabilities £000	Total £000
Liabilities Per Balance Sheet			
PFI Liabilities	16	185,344	185,344
Trade and Other Payables excluding Statutory Liabilities (VAT and Income Tax and Social Security) Deferred Income and Superannuation	16	111,743	111,743
		297,087	**297,087**

BOARD (Prior Year)

AT 31 MARCH 2016	Note	Other Financial Liabilities £000	Total £000
Liabilities Per Balance Sheet			
PFI Liabilities	16	185,344	185,344
Trade and Other Payables excluding Statutory Liabilities (VAT and Income Tax and Social Security) Deferred Income and Superannuation	16	111,733	111,733
		297,077	**297,077**

27. FINANCIAL INSTRUMENTS CONTINUED

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.

Risk Management Policies

Lanarkshire Health Board has a Risk Management Strategy in place which forms a key part of Lanarkshire Health Board's system of internal control. The strategy makes clear the Chief Executive's overall responsibility for risk management with leadership and accountability across Lanarkshire Health Board clearly defined, to include the responsibilities of directors, local managers and individual staff in supporting the delivery of the strategy and the identification and assessment of risk. The Board also has written policies which are part of a dedicated Risk Management web-page covering for example, Risk Management Strategy, Risk Register Guidance, Incident Management Guidance, Critical Incident Review.

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

27. FINANCIAL INSTRUMENTS CONTINUED

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.

As at 31 March 2017	Less Than 1 Year £000	Between 1 and 2 Years £000	Between 2 and 5 Years £000	Over 5 Years £000
PFI / HUB Liabilities	9,273	10,649	33,723	124,334
Total	**9,273**	**10,649**	**33,723**	**124,334**

As at 31 March 2016	Less Than 1 Year £000	Between 1 and 2 Years £000	Between 2 and 5 Years £000	Over 5 Years £000
PFI / HUB Liabilities	8,112	9,359	37,301	130,572
Total	**8,112**	**9,359**	**37,301**	**130,572**

c) Market Risk

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

i) Cash Flow and Fair Value Interest Rate Risk

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

ii) Foreign Currency Risk

The NHS Board is not exposed to foreign currency risk.

iii) Price Risk

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

d) Fair Value Estimation

Fair Value is not considered to be materially different to carrying value.

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONSOLIDATED AND BOARD)

Note: Lanarkshire Health Board has not entered into any such transactions.

29. RELATED PARTY TRANSACTIONS

Lanarkshire Endowment Funds are managed by Trustees who are also Directors of the Board (as notified in the Remuneration Report) and is therefore a related party. During the year the Board did not receive from or make any payments to Endowments and there is no balance due to or from the Board at the year end. Additionally, £55,000 was received in the form of Donated Assets and these are shown as income in Note 8 and additions in Note 11(b).

North Lanarkshire Integration Joint Board (IJB) is a related party of NHS Lanarkshire. During the year the Board received payments from the IJB of £372,674,000, and made payments to the IJB of £377,912,000. There is an outstanding balance of £3,731,000 at the year end, being the board's share of the IJB surplus.

South Lanarkshire Integration Joint Board (IJB) is a related party of NHS Lanarkshire. During the year the Board received payments from the IJB of £352,041,000, and made payments to the IJB of £358,160,000. There is an outstanding balance of £3,060,000 at the year end, being the Board's share of the IJB surplus.

The NHS Lanarkshire Board members who are also members of the Integration Joint Board can be found within the Accountability Report of these accounts.

30. SEGMENT INFORMATION

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

	Acute Operating Division £000	Corporate Functions £000	North Lanarkshire Health and Social Care Partnership £000	South Lanarkshire Health and Social Care Partnership £000	Primary Care Area Wide Services £000	Other Healthcare Providers NHSL Wide £000	Total 2017 £000
Net expenditure reported to Board at 31 March 2017	**351,168**	**145,299**	**307,661**	**293,158**	**0**	**244,991**	**1,342,277**
Net Expenditure per Annual Accounts	**351,168**	**145,299**	**307,661**	**293,158**	**0**	**244,991**	**1,342,277**

The Board has been designated as the Chief Operating Decision Maker because it directs and controls the overall business of Lanarkshire Health Board. The reported segments have been chosen, as this is the basis for reporting operating and financial information to the Board.

SEGMENT INFORMATION - PRIOR YEAR

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

	Acute Operating Division £000	Corporate Functions £000	CHP North £000	CHP South £000	Primary Care Area Wide Services £000	Other Healthcare Providers NHSL Wide £000	Total 2016 £000
Net expenditure reported to Board at 31 March 2016	**349,835**	**149,142**	**125,838**	**56,727**	**316,309**	**263,966**	**1,261,817**
Net Expenditure per Annual Accounts	**349,835**	**149,142**	**125,838**	**56,727**	**316,309**	**263,966**	**1,261,817**

The Board has been designated as the Chief Operating Decision Maker because it directs and controls the overall business of Lanarkshire Health Board. The reported segments have been chosen, as this is the basis for reporting operating and financial information to the Board.

31. THIRD PARTY ASSETS

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

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

They are set out in the table immediately below.

	2016 £000	Gross Inflows £000	Gross Outflows £000	2017 £000
Monetary Amounts Such as Bank Balances and Monies on Deposit - Patients Funds Accounts	865	447	(526)	786
Total Monetary Assets	**865**	**447**	**(526)**	**786**

32a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group 2016 £'000		Board 2017 £'000	Endowments 2017 £'000	Intra Group Adjustment 2017 £'000	Integration Joint Board South Lanarkshire 2017 £'000	Integration Joint Board North Lanarkshire 2017 £'000	Consolidated 2017 £'000
	Clinical Services Costs						
996,207	Hospital and Community	1,768,324	0	0	0	0	1,768,324
34,450	Less: Hospital and Community Income	761,868	0	0	0	0	761,868
961,757		1,006,456	0	0	0	0	1,006,456
310,645	Family Health	311,515	0	0	0	0	311,515
9,415	Less: Family Health Income	9,439	0	0	0	0	9,439
301,230		302,076	0	0	0	0	302,076
1,262,987	**Total Clinical Services Costs**	**1,308,532**	**0**	**0**	**0**	**0**	**1,308,532**
8,835	Administration Costs	8,648	0	0	0	0	8,648
0	Less: Administration Income	0	0	0	0	0	0
8,835		8,648	0	0	0	0	8,648
21,257	Other Non Clinical Services	63,071	721	0	0	0	63,792
30,743	Less: Other Operating Income	38,029	1,101	0	0	0	39,130
(9,486)		25,042	(380)	0	0	0	24,662
0	Associated and joint venture accounted for an equity basis	0	0	0	(3,060)	(3,731)	(6,791)
1,262,336	**Net Expenditure**	**1,342,222**	**(380)**	**0**	**(3,060)**	**(3,731)**	**1,335,051**

Brief details should be provided for each adjustment included in column E (Intra Group Adjustments) above:

The Board recharges £30,000 staff costs during the year.

32b. CONSOLIDATED GROUP BALANCE SHEET

Group 2016 £'000		Note	Board 2017 £'000	Endowment 2017 £'000	Integration Joint Board South Lanarkshire £'000	Integration Joint Board North Lanarkshire £'000	Group 2017 £'000
	Non-current assets:						
550,721	Property, plant and equipment	11	551,226	0	0	0	551,226
1,696	Intangible assets	10	1,701	0	0	0	1,701
	Financial assets:						
5,276	Available for sale financial assets	14	976	4,235	0	0	5,211
0	Investments in associates and joint ventures		0	0	3,060	3,731	6,791
25,760	Trade and other receivables	13	42,489	0	0	0	42,489
583,453	**Total non-current assets**		**596,392**	**4,235**	**3,060**	**3,731**	**607,418**
	Current Assets:						
5,894	Inventories	12	6,021	0	0	0	6,021
	Financial assets:						
32,587	Trade and other receivables	13	43,336	18	0	0	43,354
591	Cash and cash equivalents	15	530	628	0	0	1,158
4,590	Assets classified as held for sale	11c	1,415	0	0	0	1,415
43,662	**Total current assets**		**51,302**	**646**	**0**	**0**	**51,948**
627,115	**Total assets**		**647,694**	**4,881**	**3,060**	**3,731**	**659,366**
	Current liabilities						
(23,005)	Provisions	17	(41,370)	0	0	0	(41,370)
	Financial liabilities:						
(153,057)	Trade and other payables	16	(170,931)	(51)	0	0	(170,982)
(176,062)	**Total current liabilities**		**(212,301)**	**(51)**	**0**	**0**	**(212,352)**
451,053	**Non-current assets plus/less net current assets/liabilities**		**435,393**	**4,830**	**3,060**	**3,731**	**447,014**

32b. CONSOLIDATED GROUP BALANCE SHEET CONTINUED

Group 2016 £'000		Note	Board 2017 £'000	Endowment 2017 £'000	Integration Joint Board South Lanarkshire £'000	Integration Joint Board North Lanarkshire £'000	Group 2017 £'000
	Non-current liabilities						
(58,578)	Provisions	17	(99,731)	0	0	0	(99,731)
	Financial liabilities:						
(177,232)	Trade and other payables	16	(168,706)	0	0	0	(168,706)
(235,810)	**Total non-current liabilities**		**(268,437)**	**0**	**0**	**0**	**(268,437)**
215,243	**Assets less liabilities**		**166,956**	**4,830**	**3,060**	**3,731**	**178,577**
	Taxpayers' Equity						
25,155	General fund	SOCTE	(28,660)	0	0	0	(28,660)
185,638	Revaluation reserve	SOCTE	195,616	0	0	0	195,616
4,450	Funds Held on Trust	SOCTE	0	4,830	0	0	4,830
0	Other Reserves - Joint Venture		0	0	3,060	3,731	6,791
215,243	**Total taxpayers' equity**		**166,956**	**4,830**	**3,060**	**3,731**	**178,577**

LANARKSHIRE HEALTH BOARD
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017

32c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board 2016 £'000	Endowment 2016 £'000	Group 2016 £'000		Board 2017 £'000	Endowment 2017 £'000	Group 2017 £'000
			Cash flows from operating activities			
(1,261,553)	(206)	(1,261,759)	Net expenditure	(1,335,431)	552	(1,334,879)
25,996	141	26,137	Adjustments for non-cash transactions	19,915	(1,076)	18,839
18,630	0	18,630	Add back: interest payable recognised in net operating cost	19,189	0	19,189
0	0	0	Deduct: interest receivable recognised in net operating cost	(78)	0	(78)
2,191	(9)	2,182	(Increase) / decrease in trade and other receivables	(27,466)	11	(27,455)
(531)	0	(531)	(Increase) / decrease in inventories	(127)	0	(127)
(10,926)	(291)	(11,217)	Increase / (decrease) in trade and other payables	(16,178)	69	(16,109)
562	0	562	Increase / (decrease) in provisions	59,518	0	59,518
(1,225,631)	**(365)**	**(1,225,996)**	**Net cash outflow from operating activities**	**(1,280,658)**	**(444)**	**(1,281,102)**
			Cash flows from investing activities			
(43,347)	0	(43,347)	Purchase of property, plant and equipment	15,190	0	15,190
(310)	0	(310)	Purchase of intangible assets	(838)	0	(838)
0	300	300	Investment Additions	0	900	900
3,595	0	3,595	Proceeds of disposal of property, plant and equipment	4,576	0	4,576
0	0	0	Interest and dividends received	78	0	78
(40,062)	**300**	**(39,762)**	**Net cash outflow from investing activities**	**19,006**	**900**	**19,906**
			Cash flows from financing activities			
1,252,057	0	1,252,057	Funding	1,288,206	0	1,288,206
(36)	0	(36)	Movement in general fund working capital	111	0	111
1,252,021	0	1,252,021	Cash drawn down	1,288,317	0	1,288,317
32,266	0	32,266	Capital element of payments in respect of finance leases and on-balance sheet PFI / HUB contracts	(7,365)	0	(7,365)
411	0	411	Interest paid	472	0	472
(19,041)	0	(19,041)	Interest element of finance leases and on-balance sheet PFI/PPP/HUB contracts	(19,661)	0	(19,661)
1,265,657	**0**	**1,265,657**	**Net Financing**	**1,261,763**	**0**	**1,261,763**

32c. CONSOLIDATED STATEMENT OF CASHFLOWS CONTINUED

Board 2016 £'000	Endowment 2016 £'000	Group 2016 £'000		Board 2017 £'000	Endowment 2017 £'000	Group 2017 £'000
(36)	(641)	(677)	**Net Increase / (decrease) in cash and cash equivalents in the period**	111	456	567
455	813	1,268	**Cash and cash equivalents at the beginning of the period**	419	172	591
419	**172**	**591**	**Cash and cash equivalents at the end of the period**	**530**	**628**	**1,158**
			Reconciliation of net cash flow to movement in net debt/cash			
(36)	(641)	(677)	Increase/(decrease) in cash in year	111	456	567
455	813	1,268	Net debt/cash at 1 April	419	172	591
419	**172**	**591**	**Net debt/cash at 31 March**	**530**	**628**	**1,158**

ACCOUNTS DIRECTION

Lanarkshire 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