



**ANNUAL REPORT AND ACCOUNTS**

**FOR**

**THE YEAR ENDED 31 MARCH 2018**

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

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# **SECTION A: THE PERFORMANCE REPORT**

## **1. Overview**

The purpose of the overview is to give the reader a short summary of the Board's purpose, the key risks to the achievement of its objectives and how it has performed during the year.

### **1.1 Statement from the Chief Executive on the Performance of NHS Lanarkshire**

2017/18 saw two major milestones in shaping future care in NHS Lanarkshire. On 28th April 2017 the Board's new healthcare strategy "Achieving Excellence" gained Cabinet Secretary approval. The goal through 'Achieving Excellence' is to shift the balance away from treatment in hospitals. This includes preventing ill-health in the first instance and developing enhanced community services where people are looked after at home or in homely settings. Hospital care will be organised into centres of excellence to provide specialised clinical services for patients. 'Achieving Excellence' had been developed using detailed analysis of the current and expected needs of the local population, followed by extensive consultation, and it forms a framework under which more detailed service plans can be developed.

October 2017 saw the second major milestone with the approval by the Scottish Government Health Capital Investment Group of the Initial Agreement for refurbishing or replacing the aging Monklands hospital infrastructure. This allows the Board to produce a more detailed outline business case in line with the service directions in Achieving Excellence. Two option appraisal events are scheduled for June 2018. Options are; do minimum, a full refurbishment of current hospital, a new-build on current site or a new-build on another site. The option appraisal is a key part of the outline business case (OBC). The OBC will be submitted to the Scottish Government in 2019 before the project moves onto the Full Business Case in 2020.

"Achieving Excellence" sits alongside the strategic commissioning plans of the North and South Lanarkshire Integration Joint Boards (IJBs). These separate legal bodies, in live operation since April 2016, strategically plan and oversee social, primary and community services, Accident and Emergency and a range of medical inpatient services. Given the increase in demand on health and social care as people live longer and conditions associated with old age and frailty increase, it is essential that new models are developed that keep people healthier for longer and provide more care more effectively away from hospitals.

Although the IJBs and NHS Board have been working collaboratively to develop and test new approaches, progress so far is mixed. Since 2015/16 the number of people attending NHS Lanarkshire Accident and Emergency Departments has increased from 191,587 to 205,372. Minimising any delays in the Emergency Department is a high priority. Despite the 14,145 increase in numbers of patients attending over 2 years, 11,679 more people were seen within 4 hours of arrival in 2017/18 than in 2015/16. However this still means 8.5% of patients were not seen within 4 hours and we continue to work to reduce this number.

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. In 2015/16, 74,700 bed days were taken up by people delayed in hospital, an average of 205 beds blocked every day. Little change was seen in 2016/17 but in the final quarter of 2017/18 a significant decrease within the South saw this figure drop to 72,285, an average of 198 per day. It is essential that we continue to make inroads into this to enable us to continue to safely care for emergency admissions.

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 only 2 Boards who met the target for 95% of cancer patients being treated within 62 days from initial referral to treatment in each of the 3 quarters for which data has been published in 2017/18. Patient safety remained the Board's top overall priority and the Board has maintained the previous 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 and in 2017/18 developed a new contract for General Medical Services for implementation from 2018/19 onwards.

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

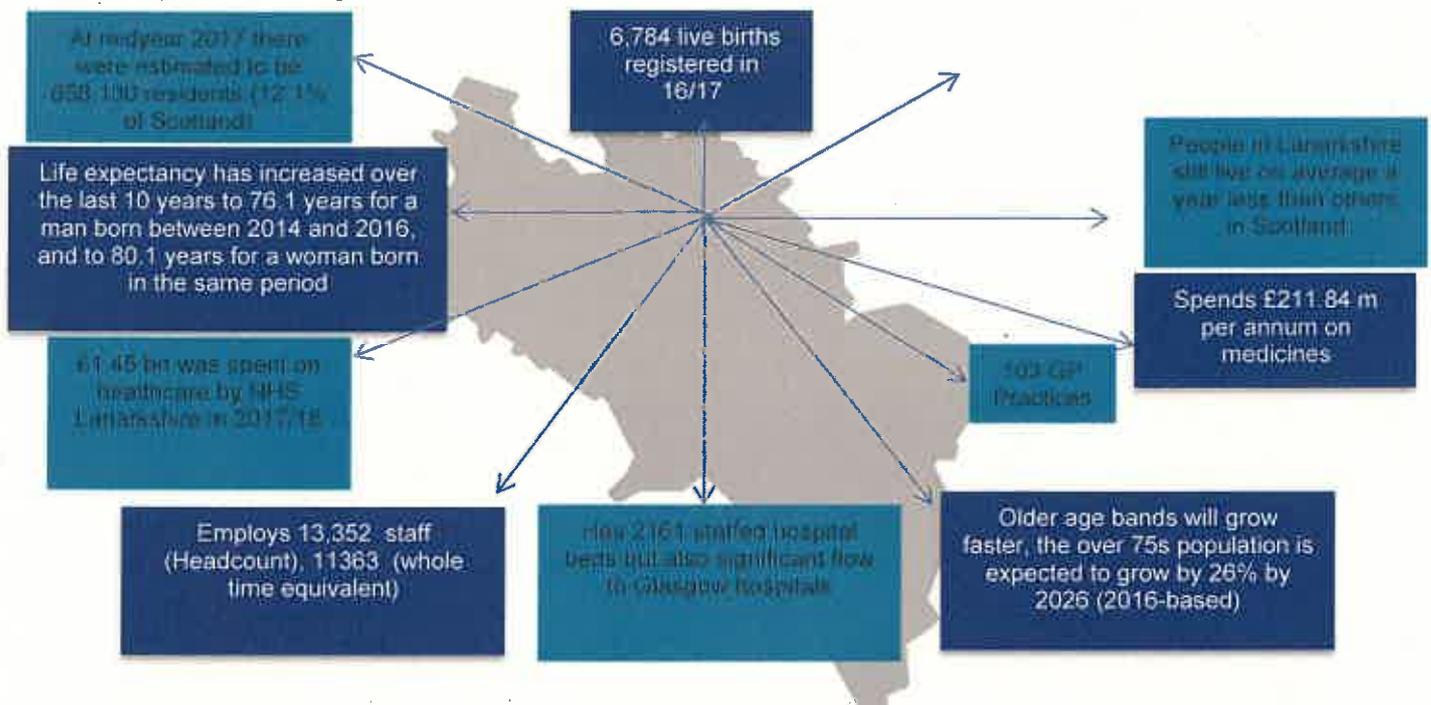
I would like to acknowledge the hard work of all of the Board's staff, and thank them for all their efforts which allow us to continue to provide safe, effective, person-centred care.

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## 1.2 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.

### NHS Lanarkshire at a glance



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, NHS Lanarkshire ensures there are high standards of corporate governance and effective financial stewardship.

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. Under the Act the NHS Board delegates the planning and commissioning for Primary, Community and Mental Health services to the IJB's. The IJB's also strategically plan, alongside the NHS Board for Accident and Emergency Services, and inpatient services for General, Geriatric, Respiratory, Rehabilitation and Palliative Care inpatient services. 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 decide what integrated services will be provided and how they will be funded and direct the NHS Board and local authority to deliver those services.

NHS Lanarkshire contracts with GPs, opticians, dentists and pharmacists to provide a full range of primary care services. £314.131m was spent on these in 2017/18, including £140.207m to reimburse the cost of GP prescribed drugs. The NHS Board's Acute Division operates three large district general hospitals – Wishaw, Monklands and Hairmyres – which were awarded University status during 2017/18. All three district general hospitals provide full accident and emergency services and are supported by a number of smaller satellite units such as Stonehouse and Udston hospitals. £355.387m was spent by the Acute Division in 2017/18 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 (predominately in Glasgow), means that NHS Lanarkshire has a high proportion of expenditure in out of area services. During 2017/18, NHS Lanarkshire spent £183.302 m with other NHS bodies in Scotland.

The key risks to the Board delivering its objectives are seen as the availability of GPs and the sustainability of GP practices, wider workforce challenges, particularly in emergency medicine and the challenging financial outlook. The global threat of cyber attacks has also been recognised as an escalating risk to any organisations operations.

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## 2. Performance against key non-financial targets

### 2.1 Corporate Performance Management Systems

The Board has well established corporate performance systems that provide regular reports both against Local Delivery Plan Standards and Corporate Objectives to the Board and against a wider suite of indicators to its Planning, Performance and Resources Committee.

### 2.2 Corporate Objectives 2017/18

The Corporate Objectives flow from the Local Delivery Plan and into personal objectives for senior staff. For 2017/18, Corporate Objectives centred around five high level ambitions:

- To ensure that all resources are deployed to best effect, achieving transformational change in desired outcomes and value for money;
- To ensure that Acute Services and North and South Lanarkshire H&SCPs give sufficient focus to health inequalities prevention, self-care, home support and care to reduce reliance on hospitals and to support the desired shift in the balance of care;
- To deliver services that listen and respond to the needs of individuals, patients and carers to continuously improve experiences and outcomes;
- To deliver high quality services that are person-centred, safe, effective and sustainable;
- To promote excellence using the influence of NHS Lanarkshire's organisational values and behaviours to support more effective partnership working with all of our stakeholders and our ambitions as an employer of choice.

### 2.3 Local Delivery Plan 2017/18

The annual Local Delivery Plan is the contract between Lanarkshire NHS Board and Scottish Government and sets out the Standards that are expected to be achieved during the year. It has an associated Financial Plan. There were 20 non-financial Standards set in 2017/18 and our performance against each, based on latest published data at time of writing, is set out in the table below.

#### Performance against Local Delivery Plan Standards 2017/18

Those where NHS Lanarkshire is currently meeting or exceeding the target:

- ✓ **Proportion of patients beginning cancer treatment within 31 days of decision being taken to treat.** The standard set is 95%.  
At December 2017, NHS Lanarkshire was at **98%**.
- ✓ **Proportion of patients beginning cancer treatment within 62 days from urgent referral with suspicion of cancer.** The standard set is 95%.  
At December 2017, NHS Lanarkshire was at **96.1%**.
- ✓ **At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation.**  
At March 2017, NHS Lanarkshire ranged from **87.4% to 91%** across the five quintiles.
- ✓ **Eligible patients will commence IVF treatment within 12 months.** The standard set is 90%.  
At December 2017, NHS Lanarkshire was at **100%**.
- ✓ **Maximum rate of 0.32 Clostridium difficile (C diff) infections in patients aged 15 years and over per 1,000 total occupied bed days.**  
NHS Lanarkshire was at **0.23** at December 2017.
- ✓ **Clients will wait no longer than 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery.** The standard set is 90%.  
NHS Lanarkshire was at **99.5%** at December 2017.

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- ✓ **Sustain and embed alcohol brief interventions (ABIs) in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings.** The standard set is 7,381 to be delivered in the year.  
NHS Lanarkshire was at **9,657** at March 2017.
- ✓ **Sustain and embed successful smoking cessation quits at 12 weeks post quit, in the 40% most deprived SIMD areas.** The standard set is 1,220 12 week quits to be delivered in the year.  
NHS Lanarkshire has achieved **2,933** of the 2017/18 annual target at September 2017.
- ✓ **48 hour access to an appropriate member of the Primary Care Team.** The standard set is 90%.  
NHS Lanarkshire at **91%** based on the Health & Care Experience Survey published in May 2018.

There is a stated government ambition that everyone newly diagnosed with dementia is offered a dedicated post-diagnostic service. National data is still under development. The latest prototype data is for 2015/16 and sees NHS Lanarkshire at 51% against a national average of 42%.

Those where NHS Lanarkshire is not currently meeting the target:

- X **NHS Scotland to achieve a 25% increase in the percentage of breast, colorectal and lung cancer cases that are diagnosed at stage 1 in 2010 and 2011 (two calendar years). This to be achieved by December 2015.**  
NHS Lanarkshire at **25.5%** at December 2016. A 25% increase would equate to 29.9%
- X **Proportion of patients that were seen within the 12 week Treatment Time Guarantee (TTG).**  
NHS Lanarkshire at **62.6%** at March 2018. The standard set is 100% compliance.
- X **90% of patients seen and treated within 18 weeks of referral (acute services).** The standard set is 90%.  
NHS Lanarkshire at **83.6%** at December 2017.
- X **12 weeks first outpatient appointment.** The standard set is 95%.  
NHS Lanarkshire at **84.8%** at March 2018.
- X **18 weeks referral to treatment (RTT) for specialist Child & Adolescent Mental Health Services (CAMHS).** The standard set is 90%.  
NHS Lanarkshire at **73.6%** at December 2017.
- X **18 weeks referral to treatment (RTT) for Psychological Therapies.** The standard set is 90%.  
NHS Lanarkshire at **79.7%** at December 2017.
- X **Maximum rate of 0.24 of staphylococcus aureus bacteraemia (SAB) (including MRSA) per 1,000 total occupied bed days.**  
NHS Lanarkshire at **0.38** at December 2017.
- X **Advance booking of an appointment with a GP three or more working days in advance.** The standard set is 90%.  
NHS Lanarkshire at **59%** based on the Health & Care Experience Survey published in May 2018.
- X **Sickness absence to be 4% or less.**  
NHS Lanarkshire at **5.6%** at March 2018.
- X **4 hours from arrival to admission or discharge or transfer for A&E treatment.** The standard set is 95%.

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The Scotland Performs website shows NHS Lanarkshire at 90% for March 2018.

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. 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 such as the Hospital Standardised Mortality Ratio. The performance against these indicators as reported to the March 2018 Board can be found at:

<http://www.nhslanarkshire.org.uk/boards/2018-board-papers/Documents/March/07a-Quality-Assurance-Improvement-Progress-Report--March-2018-Board.pdf>

<http://www.nhslanarkshire.org.uk/boards/2018-board-papers/Documents/March/08-IPCT-Progress-Report-IB--March-2018-Board.pdf>

<http://www.nhslanarkshire.org.uk/boards/2018-board-papers/Documents/March/17-Access-Report--March-2018-Board.pdf>

During 2017/18, 6 key measures were introduced to track performance under integration and these were considered for the first time by the April PPRC. These include reducing the number of A & E attendances and unplanned admissions, reducing the resulting number of bed days, reducing the number of bed days lost to delayed discharges, percentage of last 6 months of life spent at home or in a community setting and increasing the percentage of resources spent in the community.

## Performance Analysis

### Financial Performance

NHS Boards are required to meet 3 financial targets in-year: a Revenue Resource Limit, a Capital Resource Limit and a Cash requirement. The Revenue and Capital Resource Limits are further analysed into Core and Non Core where Non Core represents item of expenditure that are of a technical accounting nature, details of which can be found on the Statement of Resource Outturn.

		Limit as set by SGHSCD	Actual Outturn	Variance (Deficit)/Surplus
		£'000	£'000	£'000
1	Core Revenue Resource Limit	1,239,828	1,239,447	381
	Non-core Revenue Resource Limit	35,715	35,715	0
	Total Revenue Resource Limits	1,275,543	1,275,162	381
2	Core Capital Resource Limit	20,773	20,773	0
	Non-core Capital Resource Limit	0	0	0
	Total Capital resource Limit	20,733	20,733	0
3	Cash Requirement	1,317,334	1,317,334	0

### MEMORANDUM FOR IN YEAR OUTTURN

£'000

Reported (deficit)/surplus in 2016-17  
(Deficit)/Surplus against in year total Revenue Resource Limit

210  

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171

The core revenue limit provides funding for the day to day pay and supplies costs of running the health service. In line with the ambition to shift the balance of care, the Scottish Government targeted a high proportion of the increased funding in 2017/18 towards primary, community and social care. This included £12.540m to be passed to local authorities, an additional £2.452m for Primary Care and an additional £2.435m for a wide range of specific community and mental health services. The planning for these services sits with the IJB's. A £0.932m unspent balance on the Primary Care Transformation fund was carried forward in South IJB's reserves for use in 2018/19.

The Scottish Government provided £8.847m of non recurring funding for various acute access targets, £2.170m more than in the previous year. The Board also received £1.606m non recurring funding for winter pressures, £1.246m more than in the previous year. Despite this additional money the Board only just managed to maintain TTG and A & E performance in the same range as last year, so the non recurring nature is of concern for future years.

## **NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

Funding to territorial Boards is determined by the NRAC national allocation formula that takes account of population characteristics. NHS Lanarkshire's funding sits below its fair share under the formula and although it has produced a balanced financial position in previous years, part of that has been achieved by one off or unsustainable means. The Scottish Government is committed to bringing Board's closer to their fair share and gave NHS Lanarkshire an additional £6.000m in 2017/18. This helped closed the gap caused by historic underfunding. On latest published figures NHS Lanarkshire now sits 0.8% below its target allocation.

There were a number of other one off specific funding allocations in year, including £1.380m for the first year costs of implementing the hospital electronic prescribing system. Once funding had been allocated for the various specific purposes, the small amount of general funding uplift (0.37%) was such that most of the inflationary rises and cost pressures had to be met from increased efficiency.

Pay costs rose by 2.37% to £514.217m. The average number of whole time equivalents employed by the Board rose by 103.7 (0.92%). Areas experiencing growth were pharmacy, where increasing the numbers available to support GP practices and to improve prescribing meant approximately £1m more was spent, and psychology where there had been additional national investment. The Board also boosted its ehealth staffing in year, partly linked to specific projects but also to increase general resilience and improve cyber security. The pay rise equated to approximately 1.2%, with 1 % to those above £22,000 and a higher sum for those on low pay. From May 2017 onwards, the Board is required to pay an apprenticeship levy of 0.5% of the annual pay bill. For 2017/18 this amounted to £1.85m.

Hospital drug costs are the fastest growing element of the NHS cost base, with an average growth of 13.8% per annum in the 5 years before 2017/18. The actual expenditure growth in 2017/18 was lower than this, at 4.65%. This was partly due to a range of genuine efficiencies such as the introduction of more cost effective biosimilar drugs and improved pricing due more competition in the market for hepatitis C drugs but also due to the timing of new drugs appearing. £140.207m is spent on primary care drugs, a 0.44% increase in year. If it had not been for a very successful prescribing quality and efficiency programme, this increase would have been much higher as UK wide shortage of drugs had pushed prices up considerably.

The Local Delivery Plan signed off by the Scottish Government Health and Social Care Directorate projected £36.112m of efficiency would be needed to close the gap between the general income uplift and the cost growth, of which £6.586m had yet to be identified. A combination of good cost control, strong delivery against savings schemes and the shallower hospital drugs cost growth meant the NHS Board balanced its budget at 31 March 2018 with a small surplus of £0.381m which it intends to use in 2018/19. Any underspend against the budget delegated to the IJB's remains with the IJB, held in reserves for carry forward into future years. In 2017/18 there was a £4.264m underspend against the delegated budgets for primary and community care and mental health.

The Board completed a £20.861m capital programme. £6.161m was spent replacing medical equipment at the end of its life, including £0.502m replacing the first of the 2 cardiac catheterisation labs at Hairmyres. These cover Lanarkshire and Ayrshire and are used for reperfusion after myocardial infarction and other cardiac procedures. The second lab will be ready for use in 2018/19 and the facility will start to receive residents from Dumfries and Galloway.

£3.547m was spent on Information Management & Technology projects. Approximately half of this was on expanding the capacity of our infrastructure and making it more resilient. Implementation started on a new system to allow electronic prescribing in hospital which will bring a range of clinical benefits and on the replacement of the laboratory information system.

Although the initial agreement to replace Monklands hospital was approved in October it will be many years before a new facility will be in place. As in previous years, substantial expenditure was incurred in keeping the aging infrastructure at Monklands District Hospital fit for continued use. £4.614m was spent in year as part of a 4 year, £20m+ theatre refurbishment programme. 5 theatres and a state of the art ITU are now in live operation and the programme will be complete in 2018. £2.679m was spent on other refurbishment works in Monklands including addressing fire safety and flat roof repairs. £0.980m was spent on creating a same day admissions and an improved rapid assessment and day surgery facility in Monklands to improve patient flow and experience.

A major programme to replace all endoscopy decontamination equipment and improve the layout of the facilities was completed in 2017/18 in order to better meet best practice guidance. £1.755m was spent in total in 2017/18.

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## Integrated Performance Analysis

### Performance against Key Non-Financial Targets

As set out in pages 3 and 4, NHS Lanarkshire met or exceeded 10 of the 20 measurable LDP standards. This included ensuring prompt treatment for those suspected of having cancer, where NHS Lanarkshire was one of only 2 Boards to exceed 95% in each quarter.

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

There has been a 14,325 (7.5%) increase in the number of people attending A & E's in NHS Lanarkshire over 2 years. Hairmyres initially saw the steepest growth as patients who previously would have attended the A & E in the Victoria Hospital in Glasgow, switched to Hairmyres. In 2017/18 there was exceptional growth in the numbers of people attending Wishaw. The A & E departments not only faced the challenge of an exceptional rise in demand, but filling vacancies, particularly consultant vacancies, remained difficult with substantial reliance on locums to keep the department running. Despite this, the emergency departments managed to increase the number of people seen within 4 hours by 11,595 over the 2 years.

Emergency Department	Hairmyres	Monklands	Wishaw	Total
<b>Attendances 17/18</b>	64,277	68,598	71,212	204,087
<b>Attendances 15/16</b>	60,166	66,828	62,858	189,852
<b>Increased Attendances</b>	<b>4,111</b>	<b>1,770</b>	<b>8,354</b>	<b>14,235</b>
	<b>6.83%</b>	<b>2.65%</b>	<b>13.29%</b>	<b>7.50%</b>
<b>Seen in 4 hours 17/18</b>	56,890	65,054	64,815	186,759
<b>Seen in 4 hrs 15/16</b>	54,998	64,006	56,160	175,164
<b>Additional seen in 4 hrs</b>	<b>1,892</b>	<b>1,048</b>	<b>8,655</b>	<b>11,595</b>
	<b>3.44%</b>	<b>1.64%</b>	<b>15.41%</b>	<b>6.62%</b>
<b>% achievement 17/18</b>	<b>88.51%</b>	<b>94.83%</b>	<b>91.02%</b>	<b>91.51%</b>
<b>% achievement 15/16</b>	<b>91.41%</b>	<b>95.78%</b>	<b>89.34%</b>	<b>92.26%</b>

This level of increase in A & E attendances threatens sustainable safe care and during 2018 the IJBs and Board will need to work together to identify the factors causing it and whether the need can be met in a way that does not require hospital attendance. Once in A & E it is important that people are seen quickly. Delays can be caused by various factors including the time it takes to assess someone, waiting for transport to go home or to another facility or awaiting a bed in an appropriate ward in the hospital to become available to allow admission.

In 2015/16, prior to the IJBs becoming live, 205 beds on average were taken up every night by people who were clinically fit to leave hospital but some other factor was delaying this. Although the population is split roughly 49:51 between South and North Lanarkshire, the number of beds blocked by delayed discharges was split 58:42 between South and North. The IJBs are well placed to respond to this as both health and social care services sit within their remit. The impact rising pressures on social care could have on health care also sits behind the Scottish Government's decision to specify that between 2016/17 and 2017/18, £44m of the NHS uplift should be passed to local authorities.

The IJBs have developed multiple plans for more integrated and community based working which are aimed at reducing delayed discharges and overall use of hospital services. In 2016/17 the average number of beds lost each day to delays remained at 205, though behind this lay an increase in the North and a decrease in the South. By 2017/18 the average of blocked beds each day had dropped to 198, freeing up 3,969 additional bed days over the year. This improvement came from a significant reduction in the South IJB in the final quarter as it introduced new discharge arrangements. Over the 2 years of live operation South has reduced its delays by 13.7%, whereas North IJBs have increased by 7.5% although North's still make only 47% of the total against their 51% population share.

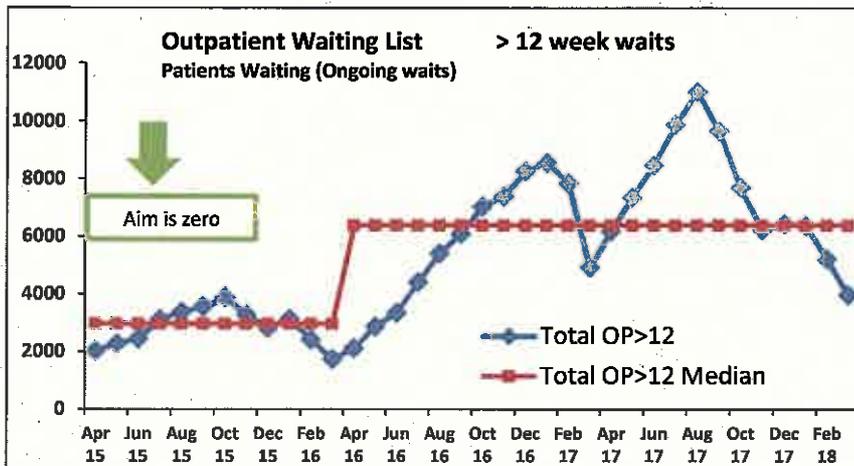
To ensure NHS Lanarkshire can continue to safely care for emergency attendances, it is essential that progress continues in reducing delayed discharges and other blocks to the smooth flow of patients through the system. The latest improvement actions being undertaken by the IJBs and the Acute division can be found at <http://www.nhs.uk/lanarkshire/boards/2018-board-papers/Documents/May/19-Access-Targets-Report-May-2018-Board.pdf>

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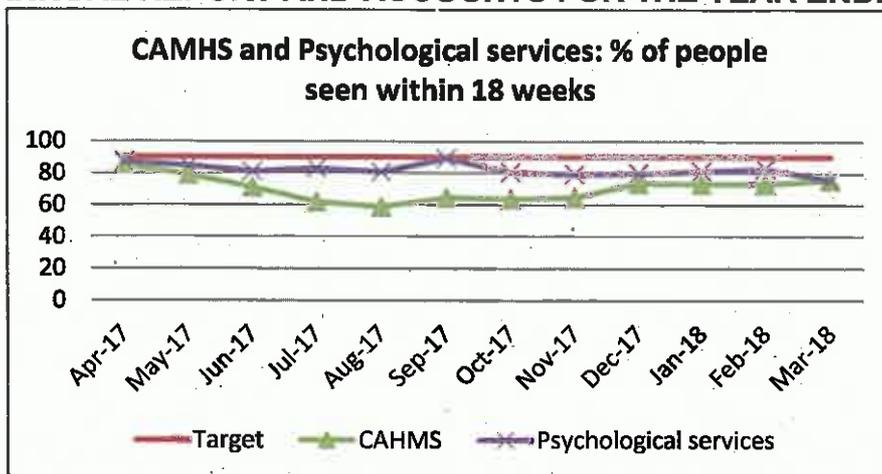
The Board paper referred to above also sets out a more detailed analysis of the Board's performance against planned care waiting times targets. At 31<sup>st</sup> March 2018 6,904 people were waiting for an inpatient or day case procedure and of those 1,447 had been waiting for more than the 84 days treatment time guarantee. Up until 2016 NHS Lanarkshire had managed to keep its waiting lists at a low level but since then, despite additional funding, they have increased. Service by service plans are in place to try and increase the capacity available to treat patients are in place and this will continue to receive intense focus in 2018/19. As the graph below shows some of the initial gains made from June 2017 onwards were lost over the winter due to the number of emergency admissions and impact of severe weather Using independent sector capacity in March made significant inroads but fell marginally short of the original improvement plan trajectory.



A similar pattern exists with the numbers waiting more than 84 days for an outpatient appointment although the action plans in that area have made greater inroads in bringing the level down and the year end numbers are 2,401 less than the previous year.



Outside hospital there was a disappointing drop in the number of people being seen within 18 weeks for Child and Adolescent mental health services and psychological services. This was caused by a high level of vacancies and difficulties in recruiting and retaining staff. Some of the posts had been advertised on a temporary basis as the money to support them was non recurring. It was felt this was discouraging applicants and so it was agreed posts would be advertised permanently and the risk of the money not being permanently would be mitigated in other ways. Plans are in place to reach the target level.



**Hospital cleanliness & control of infection control of high importance**

During the year NHS Lanarkshire was inspected by the Healthcare Environment Inspectorate at Udston Hospital. The inspection reported good hygiene standards and resulted in 1 requirement which has been implemented.

NHS Lanarkshire contributes to the national surveillance programme overseen by Health Protection Scotland and the NHS Board receives a Hospital Acquired Infection Report (HAIRT) report from the Infection Prevention and Control team detailing performance against national standards and local delivery plan targets for hand hygiene, surveillance and antimicrobial stewardship. There are a wide range of initiatives underway. Capital investment has secured on-going work in Theatres at Monklands Hospital to improve the standard of the environment and redevelopment work in the Endoscopy Units has been completed resulting in a significant improvement of systems and processes around decontamination.

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.

At year end 17/18, NHS Lanarkshire had 0.28 cases of CDI per 1,000 OBD against a national target of 0.32 cases per 100,000 AOB – the NHS Board therefore met the target for a second consecutive year and improved performance on 16/17 by 18%. At year end 17/18, NHS Lanarkshire had 0.40 cases of SAB per 1000 AOB against a national target of 0.24 cases per 100,000 AOB – the NHS Board therefore did not meet the target however improved performance by 11% from 16/17.

Robust processes are in place to ensure all cases of healthcare associated SAB and CDI are reviewed by a multidisciplinary team led by the IPC Team with findings reported via appropriate governance channels.

Supporting staff back to work is important both for staff wellbeing and continuity of patient care. The national target is to keep sickness absence below 4% of available hours. National data has only been published up to 2017/18 at which point the Scottish average was 5.4% and NHS Lanarkshire at 5.65%. Local data shows an average of 5.66% for 2017/18 with a peak of over 6% over November to January. 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 approved by the staff governance committee on 22<sup>nd</sup> May 2017. Alongside good reporting and policy compliance, full engagement of occupational health services, this included looking at ways by which staff could come back to the workplace in modified roles rather than facing extended periods of sickness.

There are 2 LDP standards associated with access to GP surgeries. In the latest survey from May 2018 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%. This is an increase from the 91% who secured 48 hour access in the previous survey in 2016. However only 59% of those sampled reported being able to book an appointment more than 3 days in advance against 69% in 2016. The standard is 90%. 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 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 11 other hospitals in Scotland have achieved this.

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## **Additional Explanations of Amounts Included in the Financial Statements**

The following section highlights significant estimates included in the accounts:

Provisions for impairment of receivables are contained in note 9 of the accounts.

Details of outstanding liabilities can be found in note 12 of the accounts. There are no significant remote contingent liabilities requiring disclosure in 2017/18.

NHS Lanarkshire has legal obligations in relation to clinical and non clinical claims. Details of these are contained in notes 13 and 14 of the accounts. In 2016/17 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 6, 7, 9 and 10 of the accounts.

### Private Finance Initiative / Public Private Partnerships/HUB Projects

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. In addition, there are three HUB facilities operative under a similar scheme to the PFI sites. Further details can be found in note 18 of the financial statements. The estimated capital value of the facilities is £274.575m.

### **Payment Policy**

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 2017/18 average credit taken was 8.6 days (2016/17 – 9 days);
- In 2017/18 the board paid 92.1% by value (2016/17 – 94.1%) and 94.2% by volume within 30 days (2016/17 – 92.5%);
- In 2017/18 the board paid 79.5% by value (2016/17 – 88.9%) and 89.2% by volume within 10 days (2016/17 – 86.1%).

### **Pension Liabilities**

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the Remuneration Report.

### **Social Matters**

NHS Lanarkshire is committed to contributing to a fair and just society. Its Equality strategy commits to effective partnership working with communities to reduce inequalities, looking at areas such as homelessness, financial inclusion and poverty, and community resilience. Its code of conduct and fraud policy have strong anti-corruption, and anti-bribery provisions and its checks look to avoid engaging with any organisation with serious organised crime connections. Guidance has been issued to staff on spotting and responding to suspected human trafficking.

### **Sustainability and Environmental Reporting**

The Climate Change (Scotland) Act 2009 set out 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.

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

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

**Events after the end of the reporting period**

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



**Signed**  
Chief Executive

**27 June 2018**

## 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 2018.

1. Date of Issue

Financial statements were approved and authorised for issue by the Board on 27 June 2018.

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
Mrs I Barkby	Director for Nurses, Midwives and Allied Health Professionals
Dr I Wallace	Medical Director

**Non-Executive Directors** Councillor J Burns (to 30 April 2017), Mrs L Macer, Mr M Fuller, Dr A Docherty (to 30 April 2017), Miss M Morris, Mr P Campbell, Dr A Osborne, Mr T Steele, Councillor P Kelly, Mrs M Lees (from 6 June 2017), Councillor J McGuigan (from 29 June 2017)

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 2018 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.

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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 25.

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 5 times in 2017/18. 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.

<b>Chair</b>	Mr M Fuller
<b>Members</b>	Dr A Docherty (to 30 April 2017), Mrs M Lees (from 6 June 2017) Cllr J Burns (to 30 April 2017), Dr A Osborne, Mr T Steele, Miss M Morris, Councillor J McGuigan (From 29 June 2017)

### ***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 2017/18. 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.

<b>Chair</b>	Mr T Steele
<b>Members</b>	Mrs L Macer, Mr P Campbell, Miss M Morris, Dr A Osborne, Councillor J McGuigan (from 1 July 2017)

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## **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 2017/18.

**Chair** Mrs L Macer  
**Members** Mrs N Mahal (to 1 January 2018), Mr T Steele (from 1 January 2018), Mr P Campbell, Dr A Osborne (to 1 January 2018), Miss M Morris (from 1 January 2018), Mr Tom Wilson, 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 6 times in 2017/18.

**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 2017/18, no Reference Committee meetings were required to be convened by NHS Lanarkshire.

## **Additional Board Committees -**

### **Acute Governance Committee (previously the Acute Operating Management Committee until 1 January 2018)**

The Acute Governance 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 (to 1 January 2018), Dr A Osborne (from 1 January 2018)  
**Members** Mr M Fuller, Mr T Steele, Councillor P Kelly (from 1 January 2018), Miss M Morris (from 1 January 2018)

## **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:

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## ***South Lanarkshire Health and Social Care Partnership Integration Joint Board***

<b>Chair</b>	Mr P Campbell, Non-Executive Director, Lanarkshire NHS Board
<b>Vice-Chair</b>	Councillor J Bradley, South Lanarkshire Council
<b>Members</b>	Councillor G Campbell, South Lanarkshire Council Councillor J McGuigan, South Lanarkshire Council Councillor A Falconer, South Lanarkshire Council Mr T Steele, Non-Executive Director, Lanarkshire NHS Board Dr I Wallace, Medical Director, Lanarkshire NHS Board Mrs L Macer, Non-Executive Director, Lanarkshire NHS Board

## ***North Lanarkshire Health and Social Care Partnership Joint Integration Board***

<b>Chair</b>	Councillor P Kelly, North Lanarkshire Council
<b>Vice-Chair</b>	Dr A Osborne, Non-Executive Director, Lanarkshire NHS Board
<b>Members</b>	Councillor J Logue, North Lanarkshire Council Councillor M Gallacher, North Lanarkshire Council Councillor A Stubbs, North Lanarkshire Council Miss M Morris, Non-Executive Director, Lanarkshire NHS Board Mr M Fuller, Non-Executive Director, Lanarkshire NHS Board Mr P Campbell, Non-Executive Director, Lanarkshire NHS Board

## ***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.

<b>Co-Chair</b>	Mr M Fuller, Miss M Morris
<b>Members</b>	Mrs C Prentice, Mrs M Caraher, Mrs L Robertson, Mr C J Sargent, Mr J Woods

### 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 4 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.

# **NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 21 November 2014.

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## 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

NHS Lanarkshire is responsible for commissioning and providing health care services for the residents of Lanarkshire. The NHS Board met 7 times in public during 2017/18 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, and September 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. 5 Board Development events were held throughout the year to increase background understanding of complex issues and to allow time for reflection on approach and effectiveness.

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.

- 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 28<sup>th</sup> 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 2017/18 can be found at <http://www.nhslanarkshire.org.uk/publications/Documents/Local-Delivery-Plan-2017-18.pdf>

## **NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

The Board maintains an overview of performance through formal quarterly performance reporting against LDP targets with the PPRC considering a wider range of 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. 6 national indicators have been produced for measuring performance under integration. These are now being reported on, with the PPRC receiving an update in April 2018.

In addition, the Board receives reports on the most recent reported performance against Access targets, Finance, Clinical Governance including Healthcare Associated Infection and the Hospital Standardised Mortality Ratio (HSMR). 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 systems 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 Accountability report.

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. In March 2018 the Board agreed to establish a Population Health, Primary Care & Community Services Governance Committee to provide oversight of the delivery of these functions to supplement the IJBs' strategic overview. The first meetings will take place in 2018/19.

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 2017/18 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 2018 the Board reviewed, updated and approved its Scheme of Delegation and its Standing Financial Instructions. The Board's Code of Governance was also updated and approved in March 2018.

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 (CMT) 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, piloted a New Insider Threat Workshop for CFS and in April and May 2018 ran further awareness sessions. The fraud risk assessment was refreshed and presented to the Audit Committee in June 2018.

## **NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

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 both internal and external to the organisation. One of the Board's Non-Executive Directors, acts as Whistleblowing champion to ensure internal mechanisms are working effectively.

The Board has well established stakeholder engagement mechanisms in place. As well as having public representation on the Acute Governance 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, which also received, in July 2017, an annual review of the work of the group and on other activities to promote patient centred care.

In addition to the Public Reference Forum, NHS Lanarkshire engages with a wide range of stakeholder groups and forums including, but not limited to, the Disability Engagement Group, Lanarkshire Ethnic Minority Action Group, public partnership forms, carers groups and the third sector.

NHS Lanarkshire's approach to stakeholder engagement is in line with the Scottish Government's guidance CEL 4 (2010) "Informing, Engaging and Consulting People in Developing Health and Community Care Services" which includes the principle of involving public and service users in service changes at the earliest opportunity.

NHS Lanarkshire works closely with the Scottish Health Council (SHC) to ensure compliance with CEL 4 (2010) particularly in relation to the SHC's assurance role for major service change consultations. NHS Lanarkshire did not undertake any major service change consultations during 2017/18 but has involved stakeholders in a variety of work linked to the implementation of its healthcare strategy Achieving Excellence which was consulted on in 2016.

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 2016/17 was considered by the Board's clinical governance committee (HQAIC) in July 2017. 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 considered by HQAIC in January 2018.

In early 2017/18 the Board undertook a Governance Review to ensure that NHS Lanarkshire has effective and robust structures in place to deliver good governance and to underpin the implementation of Achieving Excellence, the Health and Social Care Delivery Plan and the Local Delivery Plan.

The Review considered:

- The current committee structure and the effectiveness of committees in supporting the Board to discharge its governance role;
- The membership and spread of Non- Executive Director knowledge and skills across all committees to maximise collaboration, skillsets, resources and ensure an equitable distribution of workload;
- The effectiveness of business arrangements including agendas, reports and the flow of information.

The review involved substantial engagement using a Survey Monkey questionnaire for completion by Board Members, CMT Members, and other committee attendees. The approach also included an analysis of learning from other NHS Boards based on personal observations from Non-Executive Director visits to 4 NHS Boards' Governance Committees as part of a Non-Executive personal development initiative, and feedback from the completion of the Audit Scotland 'Checklist for NHS Non-Executive Directors'.

# **NHS LANARKSHIRE**

## **ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

The product of this work was presented to Board Members, CMT, and other senior officers at a Board Seminar held on 28th June 2017, which informed a paper to the Board in September 2017 setting out a range of changes, including a review of Non-Executive Director Committee Portfolios.

Changes to the Non-Executive Director Committee Portfolios, and the Governance Committee structure (including notably the establishment of a Population Health, Primary Care and Community Services Governance Committee) were endorsed at the September 2017 Board meeting, with an implementation date of January 2018. Changes to all Governance Committee Terms of Reference and Committee Members were reviewed in November 2017, at a Board Development Session, and revised Terms of Reference were formally approved at the March 2018 Board meeting as part of a wider update of the Code of Corporate Governance.

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 through 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 Development Seminars is in place to support shared development needs, and these are scheduled 6 times per year.

As a public sector body the Board has a duty to deliver Best Value and the Governance Framework described above helps support this. A periodic stocktake is undertaken of the mechanisms the Board has in place against the Best Value guidance to ensure there is comprehensive coverage.

### **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 an assurance report from the Endowment Trustees and there are no issues arising in respect of these Endowment Accounts whose impact on the Board's account I would require disclosure in this statement.

Given the scale of the services for which planning and commissioning is now delegated to the IJBs, assurances have been received from the IJBs/them 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 IJBs on these matters.

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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 Audit committee receives quarterly reports on all internal Audits conducted as well as follow up reports measuring the extent of management implementation of findings. 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 2017/18 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 2016/17 report was considered in June 2017. The 2017/18 report will be reviewed by the Audit Committee in June 2018 following consideration at the public Board meeting in May 2018. 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 2018.

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. 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 2018 Board papers. From the 41 live corporate risks, the profile, plotted by likelihood x impact = assessed level of risk, is shown below. The figures in brackets give the comparative figure for April 2017.

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		Score	IMPACT				
			Negligible	Minor	Moderate	Major	Extreme
			1	2	3	4	5
LIKELIHOOD	Almost Certain	5			1 (0)	2 (1)	
	Likely	4		1 (0)	3 (3)	2 (2)	
	Possible	3		3 (2)	8 (6)	9 (9)	
	Unlikely	2		3 (2)	2 (1)	4 (4)	
	Rare	1		1 (2)	2 (2)		

2 of the 4 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 provided 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 under consideration. 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 has been agreed for implementation in 2018 to help address some of the future issues. NHS Lanarkshire received a further £3.6m of funding in 2017/18 from the primary care transformation fund (2016/17 £4.0m) to identify more sustainable ways of providing and enhancing primary care. This funding was passed to the IJBs who are using it to support a range of measures, including increased pharmacy support to GPs.

Achieving the required level of CRES savings to close the gap between income growth and cost growth had been flagged as a very high risk in April 2017 but a combination of strong delivery, good general cost control and shallower than expected cost growth in some areas, meant this risk was successfully mitigated. A new, very high graded risk has been set out to highlight that NHS Lanarkshire may not be able to realise the savings in 2018/19 that are required to balance the budget. It links to another risk graded high (orange) that external factors such as new drugs, outcome from the pay negotiations, or other factors might increase the level of cost pressure in the financial plan. The financial plan submitted to the Scottish Government to support the annual operational plan relied on £25.821m of efficiency savings, of which £5.385m had still to be identified. In 2017/18 the opening gap was £6.586m and it had been resolved by mid-year. Historic success, a slightly better than planned year end position and verbal commitment to 6 months waiting times funding in line with last year's level would act to reduce the assessed risk, but until the outcome of national pay negotiations is known it has been held at its initial level.

The 4th very high graded risk concerns the ability of NHS Lanarkshire to prevent malicious cyber attack. Within the year this risk increased from high to very high as the risk materialised in May 2017 with NHS Lanarkshire being affected by the global "WannaCry" ransomware, although the impact was reduced due to rapid recovery. A serious adverse event review was carried out and an action plan developed, progress against which has been monitored through the PPRC. The actions included protocols for earlier dissemination of software patches and additional investment to replace older equipment and boost the ehealth staffing available to deal with security issues. The action plan also looked to enhance business continuity processes in the event of an attack. A wider programme of cyber security activity is being undertaken with the implementation of the Scottish Government Cyber Resilience: Public Sector Action Plan. NHS Lanarkshire is one of the Cyber Catalyst organisations and is aiming for Cyber Essential accreditation by 31 October 2018. Although controls have been enhanced, the risk remains very high because of the external environment with growing numbers of evolving threats.

Within the 13 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 community bed modelling, compliance with new legislation: Duty of Candour and General Data Protection Regulations (GDPR). The sustainability of the out of hours services has been increased from medium (yellow) to high (orange) over the year and the sustainability of cost – effective prescribing remains high (orange) at this reporting period.

The Board reviewed the risk management strategy and the risk appetite for the organisation. They agreed a more focussed consideration and reporting of risks that are graded high (orange) and very high (red), including other very high graded risks that are managed at operation level, or through business-critical programmes of change e.g. treatment time guarantee (TTG), Monklands Replacement/Refurbishment Project (MRRP) funding, recruitment and retention of emergency medicine senior decision-makers. 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.

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NHS Lanarkshire is committed to learning from good practice and also from adverse events, complaints and other incidents that identify gaps in process and procedures and to take appropriate action to reduce the likelihood of similar events being experienced.

The Board's policy on reporting, recording and management of adverse events including undertaking Significant Adverse Event Reviews (SAER's) was reviewed in 2016, drawing on an externally facilitated review in 2014 and 2015 guidance from Health Improvement Scotland. The NHS Lanarkshire Adverse Event Management Policy sets out how to report, grade and investigate adverse events commensurate with the level of grading, including a structured format for SAER's that enables learning from adverse events. These are reported through clinical governance and risk management structures, with the Board maintaining an overview of key performance indicators and trends.

Internal Audit reports in 2016 and May 2018 give an adequate assurance rating to the controls round SAERS but highlighted the Board is not achieving its internal target completion time as well as recommending a number of procedural improvements. During 2017/18 the Audit Committee requested enhanced reporting on SAERS in order to monitor progress and this will continue in 2018/19. This will supplement the Health Care Governance Committee's more detailed review of the management action plan agreed from the 2018 audit to ensure the Board continues to learn from adverse events in a timely fashion.

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 through an electronic register which went live in May 2017. Internal Audit has made further suggestions in this area during 2017/18 and actions have been implemented in response.

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 temporary staffing carried out by external audit. In 2018, the Board also refreshed a 2015 stocktake against the best value guidance.

### Disclosures

#### 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, NHS Lanarkshire struggled to maintain its previous high levels of performance against the treatment time guarantee of 84 days from referral to treatment. In 2017/18, SGHSCD provided £7.668m of non recurring funding to make inroads into inpatient and outpatient waiting times, an increase of £4.580m on the previous year. This additional funding allowed the Board to marginally reduce the percentage of those waiting more than 84 days at March 2018 compared to March 2017, although the percentage of those seen within 84 days during the year decreased. 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, are set out in the next table:

Indicator	31-Mar-16	31-Mar-17	30-Jun-17	30-Sept-17	31-Dec-17	31-Mar-18
Number seen	6,527	6,486	6,007	5,933	6,233	6,576
Median (days)	63	65	58	57	59	66
90th percentile (days)	100	157	146	174	182	173.5
Number who waited over 84 days	1,120	2,157	1,770	1,953	2,110	2,457
Percentage seen within 84 days	82.84%	66.74%	70.53%	67.08%	66.15%	62.64%
Total Number waiting	6,555	6,811	6,720	6,832	6,862	6,904
Number waiting over 84 days	573	1,312	1,953	2,017	1,885	1,447
Percentage waiting under 84 days	91.26%	80.74%	70.94%	70.48%	72.53%	79.04%

The breaches were predominantly in orthopaedics (564), ophthalmology (287), general surgery (323) and urology (168) with smaller numbers in Oral Surgery, ENT, Urology, Gynaecology, Vascular and Chronic Pain.

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In November 2017 the orthopaedic inpatient and daycase service was rationalised on to two sites and a programme of redesign undertaken. 90 fewer people were waiting more than 84 days at 31<sup>st</sup> of March 2018 than a year previously and the numbers treated in core NHS theatre sessions had increased. The expected overall increase in numbers seen from the service redesign has not been yet been achieved. Work continues in 2018 to get the intended benefit of the extended theatre days funded in 2017.

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 took place in 2017 resulting in a service redesign with significant investment in the nurse injectors and optometrists resource. This was further supplemented by additional consultant capacity agreed later in 2017. The service delivered an increased number of elective procedures in 2017/18 but the increase is not yet enough to keep pace with the increased demand and focus on getting the maximum benefit from the service redesign needs to continue.

Fewer general surgical inpatient and daycase procedures were delivered internally during 2017/18 than in the previous year and part way through the year a decision was taken to invest recurrently in an additional 2 general surgeons. The impact of this will be monitored in 2018/19.

Early indications are that in 2018/19 the level of SGHSCD in year funding for waiting times will be less than the £7.668m issued in 2017/18 which leaves this as a high risk area for 2018/19 and increases the importance of ensuring the maximum can be delivered from existing resources through redesign.

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 and internal 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.

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NHS LANARKSHIRE REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018 (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)
<b>Remuneration of:</b>						
<b>Executive Members</b>						
Chief Executive: Mr Calum Campbell *1	160 - 165	0	0	160 - 165	***	160 - 165
Director of Finance: Mrs L Ace	105 - 110	0	0	105 - 110	38	145 - 150
Medical Director: Dr I Wallace	165 - 170	0	0	165 - 170	0	165 - 170
Director for Nurses, Midwives and AHP's: Mrs I Barkby	105 - 110	0	0	105 - 110	11	115 - 120
<b>Non Executive Members</b>						
The Chair: Mrs N Mahal	30 - 35	0	0	30 - 35	0	30 - 35
Employee Director: Mrs L Macer *2	50 - 55	0	0	50 - 55	2	50 - 55
Mr J Burns (to 30.04.17)	0 - 5	0	0	0 - 5	0	0 - 5
Mr J McGuigan (from 29.06.17)	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 (to 30.04.17) *3	10 - 15	0	0	10 - 15	12	25 - 30
Mrs M Lees (from 01.05.17) *4	50 - 55	0	5.0	55 - 60	8	65 - 70
Mr P Campbell	10 - 15	0	0	10 - 15	0	10 - 15
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
<b>Senior Managers</b>						
Director of HR: Mr K Small (to 28.02.18) *5	110 - 115	0	5.0	115 - 120	0	115 - 120
Interim Director of HR: Mr J White (from 01.03.18) *6	5 - 10	0	0	5 - 10	98	100 - 105
Director of Strategic Planning & Performance: Mr C Sloey	120 - 125	0	0	120 - 125	0	120 - 125
Director of Acute Services: Mrs H Knox	105 - 110	0	0	105 - 110	75	180 - 185
Interim Director of Public Health & Health Policy: Mr G Docherty (from 01.01.18) *7	25 - 30	0	0	25 - 30	107	130 - 135
<b>Total</b>			<b>10.0</b>		<b>349</b>	

\*1. Mr C Campbell withdrew from the pension scheme during the year.

\*2. Mrs L Macer's salary includes £42,000 in respect of non-board duties.

\*3. Mr A Docherty's salary includes £12,000 in respect of non-board duties.

\*4. Mrs M Lees' entire salary relates to non-Board duties.

\*5. Mr K Small's full year equivalent salary was £120,000 - £125,000.

\*6. Mr J White's full year equivalent salary is £80,000 - £85,000.

\*7. Mr G Docherty's full year equivalent salary is £90,000 - £95,000.

\*\*\*Information not available

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<b>NHS LANARKSHIRE REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018 (AUDITED INFORMATION)</b>					
<b>Pensions Values Table</b>					
	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 2017 (£000)	Cash Equivalent Transfer value (CETV) at 31 March 2018 (£000)	Real Increase in CETV in year (£000)
<b>Remuneration of:</b>					
<b>Executive Members</b>					
Chief Executive: Mr Calum Campbell	40 – 45 plus lump sum of 105 - 110	(15 - 17.5)	1,107	791	(316)
Director of Finance: Mrs L Ace	35 – 40 plus lump sum of 95 - 100	2.5 - 5	640	694	54
Medical Director: Dr I Wallace	70 – 75 plus lump sum of 210 - 215	0 – 2.5	1,567	1,625	33
Director for Nurses, Midwives and AHP's: Mrs I Barkby	40 – 45 plus lump sum of 130 - 135	0 – 2.5	908	958	36
<b>Non Executive Members</b>					
The Chair: Mrs N Mahal	0	0	0	0	0
Employee Director: Mrs L Macer	10 – 15 plus lump sum of 40 - 45	0 – 2.5	388	301	9
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	40 – 45 plus lump sum of 100 - 105	0 – 2.5	662	694	33
Mrs M Lees	20 – 25 plus lump sum of 55 - 60	0 – 2.5	365	382	18
Mr P Campbell	0	0	0	0	0
Dr A Osborne	0	0	0	0	0
Mr T Steele	0	0	0	0	0
Mr P Kelly	0	0	0	0	0
Director of HR: Mr K Small	***	***	***	***	***
Interim Director of HR: Mr J White	35 – 40 plus lump sum of 105 - 110	2.5 - 5	634	738	94
Director of Strategic Planning & Performance: Mr C Sloey	55 – 60 plus lump sum of 175 - 180	0 – 2.5	1,281	1,326	28
Director of Acute Services: Mrs H Knox	40 – 45 plus lump sum of 115 - 120	2.5 - 5	731	820	89
Interim Director of Public Health & Health Policy: Mr G Docherty	30 – 35 plus lump sum of 100 - 105	5 – 7.5	591	720	116
<b>Total</b>			<b>8,874</b>	<b>9,049</b>	<b>194</b>

\* 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 2017/18 can be different from the "CETV at end of period" reported for 2016/17.

\*\*\* Information not available

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**NHS LANARKSHIRE  
REMUNERATION REPORT  
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(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)
<b>Remuneration of:</b>						
<b>Executive Members</b>						
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
<b>Non Executive Members</b>						
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
<b>Senior Managers</b>						
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
<b>Total</b>			<b>4.6</b>		<b>282</b>	

\*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.

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(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)
<b>Remuneration of:</b>					
<b>Executive Members</b>					
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
<b>Non Executive Members</b>					
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
<b>Senior Managers</b>					
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
<b>Total</b>			<b>9,234</b>	<b>9,820</b>	<b>491</b>

\* 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.

2017-18		2016-17	
Range of Staff Remuneration	£16,532 - £248,241	Range of Staff Remuneration	£16,132 - £246,682
Highest Earning Director's Total Remuneration (£000s)	165-170	Highest Earning Director's Total Remuneration (£000s)	165-170
Median Total Remuneration	£26,872	Median Total Remuneration	£27,766
Ratio	6.10	Ratio	6.00
<b>Commentary</b>			
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.			

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## **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.

# **NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

## **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.

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**a) Higher Paid Employees' Remuneration**

	<b>2018 Number</b>	<b>2017 Number</b>
Other employees whose remuneration fell within the following ranges:		
<b>Clinicians</b>		
£50,001 to 60,000	0	75
£60,001 to 70,000	0	59
£70,001 to £80,000	66	59
£80,001 to £90,000	61	56
£90,001 to £100,000	55	55
£100,001 to £110,000	65	68
£110,001 to £120,000	58	55
£120,001 to £130,000	49	46
£130,001 to £140,000	42	37
£140,001 to £150,000	44	42
£150,001 to £160,000	27	22
£160,001 to £170,000	22	19
£170,001 to £180,000	11	19
£180,001 to £190,000	9	6
£190,001 to £200,000	5	4
£200,001 and above	1	4
<b>Other</b>		
£50,001 to 60,000	0	183
£60,001 to 70,000	0	61
£70,001 to £80,000	42	26
£80,001 to £90,000	9	11
£90,001 to £100,000	8	3
£100,001 to £110,000	2	1
£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

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**b) Staff Costs and Numbers**

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>STAFF COSTS</b>								
Salaries and wages	541	166	403,243	0	0	(2,256)	401,694	394,068
Social security costs	71	13	43,041	0	0	(233)	42,892	40,170
NHS scheme employers' costs	72	6	51,929	0	0	(316)	51,691	50,821
Other employers' pension costs	0	0	0	0	0	0	0	0
Inward secondees	0	0	0	1,721	0	0	1,721	1,603
Agency staff	0	0	0	0	16,219	0	16,219	14,952
<b>TOTAL</b>	<b>684</b>	<b>185</b>	<b>498,213</b>	<b>1,721</b>	<b>16,219</b>	<b>(2,805)</b>	<b>514,217</b>	<b>501,614</b>

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 86,614 188,659

**STAFF NUMBERS**

Whole Time Equivalent 4.0 10.0 11,305.8 10.2 84.1 (51.3) 11,362.8 11,259.3

Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: 2.0 4.1

Included in the total staff numbers above were disabled staff of: 43.0 47.0

Included in the total staff numbers above were Special Advisers of: 0 0

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

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

	2018				2017			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	2	2	0	4	3	2	0	5
Non-Executive Directors and Employee Director	5	5	0	10	6	4	0	10
Senior Employees*	328	248	0	576	2	1	0	3
Other	1,828	10,934	0	12,762	2,051	11,059	0	13,110
Total Headcount	2,163	11,189	0	13,352	2,062	11,066	0	13,128

\*The staff composition for Senior Employees in 2016/17 included those that were considered senior employees per the remuneration report. The disclosure in 2017/18 requires disclosure of staff earning over £70,000 p.a.

**d) Sickness absence data**

	2018	2017
Sickness Absence Rate	5.6%	5.5%

**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) Trade Union facility time**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. We intend to publish this data at the following link:

<https://www.nhslanarkshire.scot.nhs.uk/about-us/trade-union-facility-time>

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

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**g) Exit packages**

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

<b>Exit Packages</b>			<b>Current year</b>
<b>Exit Package cost band</b>	<b>Number of Compulsory</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
< £10,000	0	1	1
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
<b>Total number of exit Packages by type</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Total Resource Cost (£'000)</b>	<b>0</b>	<b>5</b>	<b>5</b>

<b>Exit Packages – Prior Year</b>			<b>Prior year</b>
<b>Exit Package cost band</b>	<b>Number of Compulsory</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
< £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
<b>Total number of exit Packages by type</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Total Resource Cost (£'000)</b>	<b>0</b>	<b>58</b>	<b>58</b>

**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.

The write-off of the following losses and special payments has been approved by the board:

	<b>No. Of Cases</b>	<b>£000</b>
Losses	333	4,744

In the year to 31 March 2018, the following balances in excess of £250,000 were written off:

<b>Reference</b>	<b>Description</b>	<b>2018 £000</b>
CNORIS	Total claims paid under CNORIS scheme	1,890

In 2017-18 the Board was required to pay out £1.89m in respect of 4 claims individually greater than £250,000 settled under the CNORIS scheme, in 2016-17 one such claim. Further details on the scheme can be found in Note 1 (accounting policies) of the annual accounts.

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 13.

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**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 2017/18 was £6.8m. The income received for providing these services was £8.6m resulting in a surplus of £1.8m.



**Signed**

**Date 27 June 2018**

Chief Executive

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### **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 2018 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of 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 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

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

#### **Basis of opinion**

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

#### **Conclusions relating to going concern basis of accounting**

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

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

#### **Responsibilities of the Accountable Officer for the financial statements**

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

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

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Other information in the annual report and accounts**

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

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

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

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

#### **Responsibilities for regularity**

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

#### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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

#### **Matters on which I am required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

- 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 of Audit (Audit Services)  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

27 June 2018

## SECTION C: FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

2017 £000		Note	2018 £000
504,338	Staff costs	3a	516,276
	Other operating expenditure	3b	
171,916	Independent Primary Care Services		173,924
250,090	Drugs and medical supplies		254,767
1,225,935	Other health care expenditure		1,260,571
<u>2,152,279</u>	Gross expenditure for the year		<u>2,205,538</u>
(810,437)	Less: operating income	4	(855,542)
(6,791)	Associates and joint ventures accounted for on an equity basis		(6,449)
<u>1,335,051</u>	<b>Net expenditure for the year</b>		<u>1,343,547</u>

### OTHER COMPREHENSIVE NET EXPENDITURE

2017 £000		2018 £000
(10,179)	Net (gain) / loss on revaluation of property, plant and equipment	(9,994)
0	Net (gain) / loss on revaluation of intangibles	0
0	Net (gain) / loss on revaluation of available for sales financial assets	0
(10,179)	<b>Other comprehensive expenditure</b>	(9,994)
<u>1,324,872</u>	<b>Comprehensive net expenditure</b>	<u>1,333,553</u>

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

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

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

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

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**SUMMARY OF RESOURCE OUTTURN  
FOR THE YEAR ENDED 31 MARCH 2018**

<b>SUMMARY OF CORE REVENUE RESOURCE OUTTURN</b>	<b>Note</b>	<b>2018 £000</b>
<b>Net expenditure</b>	SoCNE	<b>1,343,547</b>
Total non core expenditure (see below)		(35,715)
Family Health Services non-discretionary allocation		(74,947)
Donated assets income	2a	0
Endowment net expenditure		113
Associates and joint ventures accounted for on an equity basis		6,449
<b>Total core expenditure</b>		<b>1,239,447</b>
Core Revenue Resource Limit		1,239,828
<b>Saving/(excess) against Core Revenue Resource Limit</b>		<b>381</b>

**SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN**

Capital grants to / (from) other bodies		0
Depreciation / amortisation		14,328
Annually Managed Expenditure - impairments		7,500
Annually Managed Expenditure - creation of provisions		7,848
Annually Managed Expenditure - depreciation of donated assets	2a	34
IFRS PFI/HUB expenditure		6,005
<b>Total Non Core Expenditure</b>		<b>35,715</b>
Non Core Revenue Resource Limit		35,715
<b>Saving / (excess) against Non Core Revenue Resource Limit</b>		<b>0</b>

**SUMMARY RESOURCE OUTTURN**

	<b>Resource £000</b>	<b>Expenditure £000</b>	<b>Saving/ (Excess) £000</b>
Core	1,239,828	1,239,447	381
Non Core	35,715	35,715	0
<b>Total</b>	<b>1,275,543</b>	<b>1,275,162</b>	<b>381</b>

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

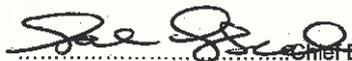
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 MARCH 2018**

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
551,226	551,226	Property, plant and equipment	7c	552,849	552,849
1,701	1,701	Intangible assets	6a	2,709	2,709
		Financial assets:			
5,211	976	Available for sale financial assets	10	5,657	1,202
6,791	0	Investments in associates and joint ventures		13,240	0
42,489	42,489	Trade and other receivables	9	65,675	65,675
<b>607,418</b>	<b>596,392</b>	<b>Total non-current assets</b>		<b>640,130</b>	<b>622,435</b>
		Current Assets:			
6,021	6,021	Inventories	8	6,227	6,227
0	0	Intangible assets	6b	0	0
		Financial assets:			
43,354	43,336	Trade and other receivables	9	38,796	38,678
1,158	530	Cash and cash equivalents	11	3,358	2,940
0	0	Available for sale financial assets	10	0	0
0	0	Derivatives financial assets	24	0	0
1,415	1,415	Assets classified as held for sale	7b	1,415	1,415
<b>51,948</b>	<b>51,302</b>	<b>Total current assets</b>		<b>49,796</b>	<b>49,260</b>
<b>659,366</b>	<b>647,694</b>	<b>Total assets</b>		<b>689,926</b>	<b>671,695</b>
		Current liabilities			
(41,370)	(41,370)	Provisions	13	(38,784)	(38,784)
		Financial liabilities:			
(170,982)	(170,931)	Trade and other payables	12	(202,021)	(201,973)
0	0	Derivatives financial liabilities	24	0	0
<b>(212,352)</b>	<b>(212,301)</b>	<b>Total current liabilities</b>		<b>(240,805)</b>	<b>(240,757)</b>
<b>447,014</b>	<b>435,393</b>	<b>Non-current assets plus / less net current assets / liabilities</b>		<b>449,121</b>	<b>430,938</b>
		Non-current liabilities			
(99,731)	(99,731)	Provisions	13	(131,116)	(131,116)
		Financial liabilities:			
(168,706)	(168,706)	Trade and other payables	12	(158,057)	(158,057)
0	0	Liabilities in associates and joint ventures		0	0
<b>(268,437)</b>	<b>(268,437)</b>	<b>Total non-current liabilities</b>		<b>(289,173)</b>	<b>(289,173)</b>
<b>178,577</b>	<b>166,956</b>	<b>Assets less liabilities</b>		<b>159,948</b>	<b>141,765</b>
		Taxpayers' Equity			
(28,660)	(28,660)	General fund	SoCTE	(42,182)	(42,182)
195,616	195,616	Revaluation reserve	SoCTE	183,947	183,947
0	0	Other reserves	SoCTE	0	0
6,791	0	Other reserves - associates and joint ventures	SoCTE	13,240	0
4,830	0	Fund held on Trust	SoCTE	4,943	0
<b>178,577</b>	<b>166,956</b>	<b>Total taxpayers' equity</b>		<b>159,948</b>	<b>141,765</b>

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

The financial statements on pages 40 to 45 were approved by the Board on 27 June 2018 and signed on their behalf by

 Director of Finance  
Laura Ace

 Chief Executive  
Calum Campbell

**NHS LANARKSHIRE  
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

2017 £000		Note	2018 £000	2018 £000
	<b>Cash flows from operating activities</b>			
(1,334,879)	Net expenditure	SoCTE	(1,343,547)	
18,839	Adjustments for non-cash transactions	2a	21,328	
19,189	Add back: interest payable recognised in net operating expenditure	2b	16,468	
(78)	Deduct: interest receivable recognised in net operating expenditure	4	(205)	
0	Investment income		0	
15,827	Movements in working capital	2c	35,199	
<b>(1,281,102)</b>	<b>Net cash outflow from operating activities</b>	<b>27c</b>		<b>(1,270,757)</b>
	<b>Cash flows from investing activities</b>			
15,190	Purchase of property, plant and equipment		(17,041)	
(838)	Purchase of intangible assets		(1,513)	
900	Investment additions	10	(415)	
0	Transfer of assets to / (from) other NHS Scotland bodies		0	
4,576	Proceeds of disposal of property, plant and equipment		128	
0	Proceeds of disposal of intangible assets		0	
0	Receipts from sale of investments		0	
78	Interest received		205	
<b>19,906</b>	<b>Net cash outflow from investing activities</b>	<b>27c</b>		<b>(18,636)</b>
	<b>Cash flows from financing activities</b>			
1,288,206	Funding	SoCTE	1,314,924	
111	Movement in general fund working capital	SoCTE	2,410	
1,288,317	Cash drawn down		1,317,334	
(7,365)	Capital element of payments in respect of finance leases and on-balance sheet PFI/HUB contracts	2c	(9,273)	
472	Interest paid		1,818	
(19,661)	Interest element of finance leases and on-balance sheet PFI / PPP/HUB contracts	2b	(18,286)	
<b>1,261,763</b>	<b>Net Financing</b>	<b>27c</b>		<b>1,291,593</b>
	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>			<b>2,200</b>
591	<b>Cash and cash equivalents at the beginning of the period</b>			<b>1,158</b>
<b>1,158</b>	<b>Cash and cash equivalents at the end of the period</b>			<b>3,358</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
567	Increase / (decrease) in cash in year	11		2,200
591	Net debt / cash at 1 April			1,158
<b>1,158</b>	<b>Net debt / cash at 31 March</b>			<b>3,358</b>

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

**NHS LANARKSHIRE**  
**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2018**

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>		(28,660)	195,616	6,791	4,830	178,577
Prior year adjustments for changes in accounting policy and material errors	22	0	0	0	0	0
<b>Restated balance at 1 April 2017</b>		<u>(28,660)</u>	<u>195,616</u>	<u>6,791</u>	<u>4,830</u>	<u>178,577</u>
<b>Changes in taxpayers' equity for 2017-18</b>						
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	21,049	0	0	21,049
Net gain / (loss) on revaluation / indexation of intangible assets	6	0	0	0	0	0
Net gain / (loss) on revaluation of available for sale financial assets	10	0	0	0	0	0
Impairment of property, plant and equipment		0	(18,556)	0	0	(18,556)
Impairment of intangible assets	6	0	0	0	0	0
Revaluation and impairments taken to operating costs	2a	0	7,501	0	0	7,501
Release of reserves to the statement of comprehensive net expenditure		0	0	0	0	0
Transfers between reserves		21,663	(21,663)	0	0	0
Pension reserve movements		0	0	0	0	0
Other non cash costs [please specify]		0	0	0	0	0
Net operating cost for the year	CFS	<u>(1,350,109)</u>	<u>0</u>	<u>6,449</u>	<u>113</u>	<u>(1,343,547)</u>
<b>Total recognised income and expense for 2017-18</b>		<u>(1,328,446)</u>	<u>(11,669)</u>	<u>6,449</u>	<u>113</u>	<u>(1,333,553)</u>
<b>Funding:</b>						
Drawn down	CFS	1,317,334	0	0	0	1,317,334
Movement in General Fund (creditor) / debtor	CFS	(2,410)	0	0	0	(2,410)
<b>Balance at 31 March 2018</b>	SoFP	<u>(42,182)</u>	<u>183,947</u>	<u>13,240</u>	<u>4,943</u>	<u>159,948</u>

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

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

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>		25,155	185,638	0	4,450	215,243
Prior year adjustments for changes in accounting policy and material errors	22	0	0	0	0	0
<b>Restated balance at 1 April 2016</b>		25,155	185,638	0	4,450	215,243
<b>Changes in taxpayers' equity for 2016-17</b>						
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	23,776	0	0	23,776
Net gain / (loss) on revaluation / indexation of intangible assets	6	0	(446)	0	0	(446)
Net gain / (loss) on revaluation of available for sale financial assets	10	0	0	0	(172)	(172)
Impairment of property, plant and equipment		0	(21,016)	0	0	(21,016)
Impairment of intangible assets	6	0	0	0	0	0
Revaluation and impairments taken to operating costs	2a	0	7,865	0	0	7,865
Release of reserves to the statement of comprehensive net expenditure		0	0	0	0	0
Transfers between reserves		201	(201)	0	0	0
Pension reserve movements		0	0	0	0	0
Other non cash costs [please specify]		0	0	0	0	0
Net operating cost for the year	CFS	(1,342,222)	0	6,791	552	(1,334,879)
<b>Total recognised income and expense for 2016-17</b>		(1,342,021)	9,978	6,791	380	(1,324,872)
<b>Funding:</b>						
Drawn down	CFS	1,288,317	0	0	0	1,288,317
Movement in General Fund (creditor) / debtor	CFS	(111)	0	0	0	(111)
<b>Balance at 31 March 2017</b>	SoFP	(28,660)	195,616	6,791	4,830	178,577

The Notes to the Accounts, numbered 1 to 27, 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 2017/18**

There are no new standards, amendments or interpretations effective for the first time this year.

#### **(b) Standards, amendments and interpretations early adopted in 2017/18**

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

#### **(c) Standards, amendments and interpretations issued but not adopted in 2017/18**

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;
- IFRS 16 – Leases; IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after 1 January 2019. This means that for NHS Lanarkshire, the standard will be effective for the year ending 31 March 2020. IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector, and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

### **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.

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

Note 27 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.

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

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

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

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

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

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

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

## 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.

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

## **7.3 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:

<b>Asset Category/Component</b>	<b>Useful Life</b>
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

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**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.

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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:

<b>Asset Category/Component</b>	<b>Useful Life</b>
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.

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## 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.

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**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 25 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

**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.

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**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 14, 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.

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### (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.

# NHS LANARKSHIRE

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### 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 5 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 Integrated Joint Boards 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

# NHS LANARKSHIRE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

- 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 26 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 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.

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**2. NOTES TO THE CASH FLOW STATEMENT**

**2a. Consolidated adjustments for non-cash transactions**

2017 £000		Note	2018 £000
	<b>Expenditure not paid in cash</b>		
19,493	Depreciation	7a	19,829
387	Amortisation	6	505
41	Depreciation of donated assets	7a	34
8,547	Impairments on PPE charged to SoCNE		11,058
0	Net revaluation on PPE charged to SoCNE		(2,154)
(1,128)	Reversal of impairments on PPE charged to SoCNE		(1,403)
446	Impairments on intangible assets charged to SoCNE	6	0
(55)	Funding Of Donated Assets	7a	0
(1,025)	Loss / (profit) on disposal of property, plant and equipment		0
(6,791)	Associates and joint ventures accounted for on an equity basis	SoCNE	(6,449)
0	Endowments		(92)
19,915	<b>Total expenditure not paid in cash</b>	<b>CFS</b>	<b>21,328</b>

**2b. Interest payable recognised in operating expenditure**

2017 £000			2018 £000
	<b>Interest payable</b>		
19,661	PFI/HUB Finance lease charges allocated in the year	18	18,286
(472)	Provisions - Unwinding of discount		(1,818)
19,189	<b>Net interest payable</b>	<b>CFS</b>	<b>16,468</b>

**2c. Consolidated movements in working capital**

2017 Net movement £000		Note	Opening balances £000	Closing balances £000	2018 Net movement £000
	<b>INVENTORIES</b>				
(127)	Balance Sheet	8	6,021	6,227	
(127)	<b>Net decrease / (increase)</b>				(206)
	<b>TRADE AND OTHER RECEIVABLES</b>				
(10,737)	Due within one year	9	43,354	38,796	
(16,729)	Due after more than one year	9	42,489	65,675	
(27,466)			85,843	104,471	
0	Less: property, plant & equipment (capital) included in above				
0	Less: intangible assets (capital) included in above		0	0	
0	Less: General Fund debtor included in above	9	0	0	
(27,466)	<b>Net decrease / (increase)</b>		85,843	104,471	(18,628)
	<b>TRADE AND OTHER PAYABLES</b>				
17,884	Due within one year	12	170,982	202,021	
(8,526)	Due after more than one year	12	168,706	158,057	
(32,790)	Less: property, plant & equipment (capital) included in above		(6,637)	(8,656)	
0	Less: intangible assets (capital) included in above		0	0	
0	Less: bank overdraft	12	0	0	
(111)	Less: General Fund creditor included in above	12	(530)	(2,940)	
7,365	Less: lease and PFI/HUB creditors included in above	12	(177,979)	(168,706)	
0	Less: interest payable included in above	12	0	0	
(16,178)	<b>Net decrease / (increase)</b>		154,542	179,776	25,234
	<b>PROVISIONS</b>				
59,518	Statement of Financial Position	13a	141,101	169,900	
0	Transfer from provision to General Fund		0	0	
59,518	<b>Net decrease / (increase)</b>		141,101	169,900	28,799
16,747	<b>Net movement (decrease) / increase</b>	<b>CFS</b>			<b>35,199</b>

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

3. OPERATING EXPENSES

3a. Staff costs

2017 Total £000		Note	2018 Board £000	2018 Consolidated £000
125,788	Medical and Dental		127,038	127,038
221,459	Nursing		225,401	225,401
157,091	Other Staff		163,837	163,837
<b>504,338</b>	<b>Total</b>	SoCNE	<b>516,276</b>	<b>516,276</b>

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

3b. Other operating expenditure

2017 Total £000			2018 Board £000	2018 Consolidated £000
<b>Independent Primary Care Services:</b>				
84,412	General Medical Services		86,060	86,060
25,479	Pharmaceutical Services		26,282	26,282
48,489	General Dental Services		48,073	48,073
13,536	General Ophthalmic Services		13,509	13,509
<b>171,916</b>	<b>Total</b>		<b>173,924</b>	<b>173,924</b>
<b>Drugs and medical supplies:</b>				
139,599	Prescribed drugs Primary Care		140,207	140,207
68,459	Prescribed drugs Secondary Care		71,640	71,640
42,032	Medical Supplies		42,920	42,920
<b>250,090</b>	<b>Total</b>		<b>254,767</b>	<b>254,767</b>
<b>Other health care expenditure</b>				
736,072	Contribution to Integration Joint Boards		751,500	751,500
180,347	Goods and services from other NHSScotland bodies		183,302	183,302
1,140	Goods and services from other UK NHS bodies		1,552	1,552
10,947	Goods and services from private providers		11,843	11,843
9,546	Goods and services from voluntary organisations		9,415	9,415
43,359	Resource Transfer		42,881	42,881
243,559	Other operating expenses		259,443	259,443
201	External Auditor's remuneration - statutory audit fee		192	192
43	- other services - details provided below		72	72
721	Endowment Fund expenditure		0	371
<b>1,225,935</b>	<b>Total</b>		<b>1,260,200</b>	<b>1,260,571</b>
<b>1,647,941</b>	<b>Total Other Operating Expenditure</b>		<b>1,688,891</b>	<b>1,689,262</b>

Fees in respect of audit carried out of North and South Integration Joint Boards. Fee for audit of Patients' Private Funds.

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 4. OPERATING INCOME

2017			2018	2018
Total		Note	Board	Consolidated
£000			£000	£000
0	Income from Scottish Government		288	288
30,979	Income from other NHS Scotland bodies		33,852	33,852
451	Income from NHS non-Scottish bodies		400	400
9	Income from private patients		16	16
724,715	Income for services commissioned by Integration Joint Board		748,224	748,224
9,484	Patient charges for primary care		9,472	9,472
55	Donations		0	0
1,025	Profit on disposal of assets		78	78
8,794	Contributions in respect of clinical and medical negligence claims		31,033	31,033
78	Interest received	CFS	205	205
	<b>Non NHS:</b>			
19	Overseas patients (non-reciprocal)		13	13
1,101	Endowment Fund Income		0	484
33,727	Other		31,477	31,477
<b>810,437</b>	<b>Total Income</b>	SoCNE	<b>855,058</b>	<b>855,542</b>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 5. SEGMENT INFORMATION

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

	Acute Operating Division £000	Corporate Functions £000	IJB North £000	IJB South £000	Other Healthcare Providers NHSL Wide £000	Total 2018 £000
Net operating cost reported to Board at 31 March 2018	355,387	151,103	331,454	308,455	203,710	1,350,109
Net Operating Cost per Annual Accounts	355,387	151,103	331,454	308,455	203,710	1,350,109

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	IJB North £000	IJB South £000	Other Healthcare Providers NHSL Wide £000	Total 2017 £000
Net operating cost reported to Board at 31 March 2017	351,168	145,299	317,912	303,006	224,892	1,342,277
Net Operating Cost per Annual Accounts	351,168	145,299	317,912	303,006	224,892	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.

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

6. INTANGIBLE ASSETS

6. INTANGIBLE ASSETS (NON-CURRENT) - CONSOLIDATED

		Software Licences	IT - software	Total
	Note	£000	£000	£000
<b>Cost or Valuation:</b>				
At 1 April 2017		3,527	1,877	5,404
Additions	CFS	253	1,260	1,513
Disposals		(2)	(23)	(25)
<b>At 31 March 2018</b>		<b>3,778</b>	<b>3,114</b>	<b>6,892</b>
<b>Amortisation</b>				
At 1 April 2017		2,211	1,492	3,703
Provided during the year		397	108	505
Disposals		(2)	(23)	(25)
<b>At 31 March 2018</b>		<b>2,606</b>	<b>1,577</b>	<b>4,183</b>
<b>Net book value at 1 April 2017</b>		<b>1,316</b>	<b>385</b>	<b>1,701</b>
<b>Net book value at 31 March 2018</b>	SoFP	<b>1,172</b>	<b>1,537</b>	<b>2,709</b>

6. INTANGIBLE ASSETS (NON-CURRENT) - BOARD

		Software Licences	IT - software	Total
		£000	£000	£000
<b>Cost or Valuation:</b>				
At 1 April 2017		3,527	1,877	5,404
Additions		253	1,260	1,513
Disposals		(2)	(23)	(25)
<b>At 31 March 2018</b>		<b>3,778</b>	<b>3,114</b>	<b>6,892</b>
<b>Amortisation</b>				
At 1 April 2017		2,211	1,492	3,703
Provided during the year		397	108	505
Disposals		(2)	(23)	(25)
<b>At 31 March 2018</b>		<b>2,606</b>	<b>1,577</b>	<b>4,183</b>
<b>Net book value at 1 April 2017</b>		<b>1,316</b>	<b>385</b>	<b>1,701</b>
<b>Net book value at 31 March 2018</b>	SoFP	<b>1,172</b>	<b>1,537</b>	<b>2,709</b>

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**6. INTANGIBLE ASSETS (NON-CURRENT), cont. - CONSOLIDATED PRIOR YEAR**

	Note	Software Licences £000	IT - software £000	Total £000
<b>Cost or Valuation:</b>				
At 1 April 2016		3,796	2,081	5,877
Additions		691	147	838
Impairment charges		0	0	0
Disposals		(960)	(351)	(1,311)
<b>At 31 March 2017</b>		<b>3,527</b>	<b>1,877</b>	<b>5,404</b>
<b>Amortisation</b>				
At 1 April 2016		2,423	1,758	4,181
Provided during the year		302	85	387
Impairment charges		446	0	446
Disposals		(960)	(351)	(1,311)
<b>At 31 March 2017</b>		<b>2,211</b>	<b>1,492</b>	<b>3,703</b>
<b>Net book value at 1 April 2016</b>		<b>1,373</b>	<b>323</b>	<b>1,696</b>
<b>Net book value at 31 March 2017</b>	SoFP	<b>1,316</b>	<b>385</b>	<b>1,701</b>

**6. INTANGIBLE ASSETS (NON-CURRENT), cont. - BOARD PRIOR YEAR**

	Software Licences £000	IT - software £000	Total £000
<b>Cost or Valuation:</b>			
At 1 April 2016	3,796	2,081	5,877
Additions	691	147	838
Impairment charges	0	0	0
Disposals	(960)	(351)	(1,311)
<b>At 31 March 2017</b>	<b>3,527</b>	<b>1,877</b>	<b>5,404</b>
<b>Amortisation</b>			
At 1 April 2016	2,423	1,758	4,181
Provided during the year	302	85	387
Impairment charges	446	0	446
Disposals	(960)	(351)	(1,311)
<b>At 31 March 2017</b>	<b>2,211</b>	<b>1,492</b>	<b>3,703</b>
<b>Net book value at 1 April 2016</b>	<b>1,373</b>	<b>323</b>	<b>1,696</b>
<b>Net book value at 31 March 2017</b>	<b>1,316</b>	<b>385</b>	<b>1,701</b>

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED**

	Land (including under buildings)	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2017	21,463	498,900	185	65,494	14,186	5,786	5,088	611,102
Additions - purchased	0	5,757	0	6,342	1,958	0	5,003	19,060
Revaluations	94	(199)	0	0	0	0	0	(105)
Impairment charges	(55)	(2,099)	0	0	0	0	(8,901)	(11,055)
Impairment reversals	0	0	0	0	0	0	0	0
Disposals - purchased	(108)	(1,460)	0	(4,570)	(790)	0	0	(6,928)
At 31 March 2018	<b>21,394</b>	<b>500,899</b>	<b>185</b>	<b>67,266</b>	<b>15,354</b>	<b>5,786</b>	<b>1,190</b>	<b>612,074</b>

**Depreciation**

At 1 April 2017	68	1,498	125	42,438	10,389	5,358	0	59,876
Provided during the year - purchased	0	13,612	11	4,842	1,322	42	0	19,829
Provided during the year - donated	0	0	0	34	0	0	0	34
Revaluations	0	(12,253)	0	0	0	0	(8,901)	(21,154)
Impairment charges	0	3	0	0	0	0	8,901	8,904
Impairment reversals	0	(1,403)	0	0	0	0	0	(1,403)
Disposals - purchased	(68)	(1,460)	0	(4,543)	(790)	0	0	(6,861)
At 31 March 2018	<b>0</b>	<b>(3)</b>	<b>136</b>	<b>42,771</b>	<b>10,921</b>	<b>5,358</b>	<b>0</b>	<b>59,225</b>

**Net book value at 1 April 2017**

Net book value at 1 April 2017	21,395	497,402	60	23,056	3,797	428	5,088	551,226
Net book value at 31 March 2018	<b>21,394</b>	<b>500,902</b>	<b>49</b>	<b>24,495</b>	<b>4,433</b>	<b>386</b>	<b>1,190</b>	<b>552,949</b>

**Open Market Value of Land in Land and Dwellings Included Above**

Open Market Value of Land in Land and Dwellings Included Above	6,125							
Owned - purchased	14,625	226,934	49	23,920	4,433	708	1,190	271,859
Owned - donated	0	0	0	253	0	0	0	253
On-balance sheet PFI contracts	6,769	273,968	0	0	0	0	0	280,737
Net book value at 31 March 2018	<b>21,394</b>	<b>500,902</b>	<b>49</b>	<b>24,173</b>	<b>4,433</b>	<b>708</b>	<b>1,190</b>	<b>552,949</b>

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

7a. PROPERTY, PLANT AND EQUIPMENT - BOARD

	Land (including under buildings)	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2017	21,463	498,900	185	65,494	14,186	5,786	5,088	611,102
Additions - purchased	0	5,757	0	6,342	1,958	0	5,003	19,060
Revaluations	94	(199)	0	0	0	0	0	(105)
Impairment charges	(55)	(2,099)	0	0	0	0	(8,901)	(11,055)
Impairment reversals	0	0	0	0	0	0	0	0
Disposals - purchased	(108)	(1,460)	0	(4,570)	(790)	0	0	(6,928)
<b>At 31 March 2018</b>	<b>21,394</b>	<b>500,999</b>	<b>185</b>	<b>67,266</b>	<b>15,354</b>	<b>5,786</b>	<b>1,190</b>	<b>612,074</b>
<b>Depreciation</b>								
At 1 April 2017	68	1,498	125	42,438	10,389	5,358	0	59,876
Provided during the year - purchased	0	13,612	11	4,842	1,322	42	0	19,829
Provided during the year - donated	0	0	0	34	0	0	0	34
Revaluations	0	(12,253)	0	0	0	0	(8,901)	(21,154)
Impairment charges	0	3	0	0	0	0	8,901	8,904
Impairment reversals	0	(1,403)	0	0	0	0	0	(1,403)
Disposals - purchased	(68)	(1,460)	0	(4,543)	(790)	0	0	(6,861)
<b>At 31 March 2018</b>	<b>0</b>	<b>(3)</b>	<b>136</b>	<b>42,771</b>	<b>10,921</b>	<b>5,358</b>	<b>0</b>	<b>59,225</b>
<b>Net book value at 1 April 2017</b>	<b>21,395</b>	<b>497,402</b>	<b>60</b>	<b>23,056</b>	<b>3,797</b>	<b>428</b>	<b>5,088</b>	<b>551,226</b>
<b>Net book value at 31 March 2018</b>	<b>21,394</b>	<b>500,902</b>	<b>49</b>	<b>24,495</b>	<b>4,433</b>	<b>386</b>	<b>1,190</b>	<b>552,849</b>
<b>Open Market Value of Land in Land and Dwellings included Above</b>	<b>6,125</b>							
<b>Asset financing:</b>								
Owned - purchased	14,625	226,934	49	23,920	4,433	708	1,190	271,859
Owned - donated	0	0	0	253	0	0	0	253
On-balance sheet PFI contracts	6,769	273,968	0	0	0	0	0	280,737
<b>Net book value at 31 March 2018</b>	<b>21,394</b>	<b>500,902</b>	<b>49</b>	<b>24,173</b>	<b>4,433</b>	<b>708</b>	<b>1,190</b>	<b>552,849</b>

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**  
**7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED & BOARD PRIOR YEAR**

	Land (including under buildings)	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2016	26,158	498,185	281	64,196	28,326	6,419	9,683	633,248
Additions - purchased	0	6,272	21	5,337	931	4	5,035	17,600
Additions - donated	0	0	0	55	0	0	0	55
Transfers between asset categories	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)
Revaluations	3	4,227	0	0	0	0	0	4,230
Impairment reversals	(3,813)	(9,784)	0	0	0	0	0	(13,597)
Disposals - purchased	0	0	0	0	0	0	0	0
At 31 March 2017	21,463	498,900	185	65,494	14,186	5,786	5,088	611,102
<b>Depreciation</b>								
At 1 April 2016	8	1,147	234	42,216	23,505	5,787	9,630	82,527
Provided during the year - purchased	0	13,178	8	4,307	1,955	45	0	19,493
Provided during the year - donated	0	0	0	41	0	0	0	41
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	0	0	0	0
Transfers between asset categories	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)
Revaluations	(383)	(19,163)	0	0	0	0	0	(19,546)
Impairment reversals	1,003	7,464	0	80	0	0	0	8,547
Disposals - purchased	0	(1,128)	0	0	0	0	0	(1,128)
At 31 March 2017	68	1,498	125	42,438	10,389	5,358	(9,630)	59,876
<b>Net book value at 1 April 2016</b>	26,150	497,038	47	21,980	4,821	632	53	550,721
<b>Net book value at 31 March 2017</b>	21,395	497,402	60	23,056	3,797	428	5,088	551,226
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	6,095							
<b>Asset financing:</b>								
Owned - purchased	14,626	225,190	60	22,769	3,797	428	5,088	271,958
Owned - donated	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	287	0	0	0	287
On-balance sheet PFI contracts	6,769	272,212	0	(322)	0	322	0	278,981
<b>Net book value at 31 March 2017</b>	21,395	497,402	60	22,734	3,797	750	5,088	551,226

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**7b. ASSETS HELD FOR SALE**

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 2017/18.

**ASSETS HELD FOR SALE - CONSOLIDATED**

		<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2017</b>		1,415	0	1,415
<b>At 31 March 2018</b>	SoFP	1,415	0	1,415

**ASSETS HELD FOR SALE - BOARD**

		<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2017</b>		1,415	0	1,415
<b>At 31 March 2018</b>	SoFP	1,415	0	1,415

**ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED**

		<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2016</b>		4,590	0	4,590
Transfers from property, plant and equipment		325		325
Disposals of non-current assets held for sale		(3,500)		(3,500)
<b>At 31 March 2017</b>	SoFP	1,415	0	1,415

**ASSETS HELD FOR SALE (PRIOR YEAR) - BOARD**

		<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2016</b>		4,590		4,590
Transfers from property, plant and equipment		325		325
Disposals of non-current assets held for sale		(3,500)		(3,500)
<b>At 31 March 2017</b>	SoFP	1,415	0	1,415

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
		<b>Net book value of property, plant and equipment at 31 March</b>			
550,939	550,939	Purchased		552,596	552,596
287	287	Donated		253	253
<u>551,226</u>	<u>551,226</u>	<b>Total</b>	<b>SoFP</b>	<u>552,849</u>	<u>552,849</u>
6,095	6,095	Net book value related to land valued at open market value at 31 March		6,125	6,125
0	0	Net book value related to buildings valued at open market value at 31 March		0	0
		<b>Total value of assets held under:</b>			
0	0	Finance Leases		0	0
0	0	Hire Purchase Contracts		0	0
279,268	278,981	PFI and PPP Contracts		280,737	280,737
<u>279,268</u>	<u>278,981</u>			<u>280,737</u>	<u>280,737</u>
		<b>Total depreciation charged in respect of assets held under:</b>			
0	0	Finance leases		0	0
0	0	Hire Purchase Contracts		0	0
5,754	5,754	PFI and PPP contracts		6,005	6,005
<u>5,754</u>	<u>5,754</u>			<u>6,005</u>	<u>6,005</u>

All property was revalued by an independent valuer, Gerald Eve, as at 31 March 2018 on the basis of fair value (market value or depreciated replacement costs 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 of £9.994m (2016-17: an increase of £10.179m) which was credited to the revaluation reserve. Impairment of £7.501m (2016-17: £7.868m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 7d. ANALYSIS OF CAPITAL EXPENDITURE

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
		<b>Expenditure</b>			
838	838	Acquisition of intangible assets	6	1,513	1,513
17,600	17,600	Acquisition of property, plant and equipment	7a	19,060	19,060
55	55	Donated asset additions	7a	0	0
0	0	HUB		288	288
<u>18,493</u>	<u>18,493</u>	<b>Gross Capital Expenditure</b>		<u>20,861</u>	<u>20,861</u>
		<b>Income</b>			
0	0	Net book value of disposal of intangible assets	6	0	0
51	51	Net book value of disposal of property, plant and equipment	7a	67	67
0	0	Net book value of disposal of donated assets	7a	0	0
3,500	3,500	Value of disposal of non-current assets held for sale	7b	0	0
0	0	HUB - repayment of investment		61	61
55	55	Donated asset income		0	0
<u>3,606</u>	<u>3,606</u>	<b>Capital Income</b>		<u>128</u>	<u>128</u>
<u>14,887</u>	<u>14,887</u>	<b>Net Capital Expenditure</b>		<u>20,733</u>	<u>20,733</u>

### SUMMARY OF CAPITAL RESOURCE OUTTURN

14,887	14,887	Core capital expenditure included above	20,733	20,733
14,887	14,887	Core Capital Resource Limit	20,733	20,733
<u>0</u>	<u>0</u>	<b>Saving / (excess) against Core Capital Resource Limit</b>	<u>0</u>	<u>0</u>
0	0	Non core capital expenditure included above	0	0
0	0	Non core Capital Resource Limit	0	0
<u>0</u>	<u>0</u>	<b>Saving / (excess) against Non Core Capital Resource Limit</b>	<u>0</u>	<u>0</u>
14,887	14,887	Total capital expenditure	20,733	20,733
14,887	14,887	Total Capital Resource Limit	20,733	20,733
<u>0</u>	<u>0</u>	<b>Saving / (excess) against Total Capital Resource Limit</b>	<u>0</u>	<u>0</u>

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

8. INVENTORIES

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
6,021	6,021	Raw materials and consumables		6,227	6,227
<u>6,021</u>	<u>6,021</u>	<b>Total inventories</b>	<b>SoFP</b>	<u>6,227</u>	<u>6,227</u>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 9. TRADE AND OTHER RECEIVABLES

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
		<b>Receivables due within one year</b>			
		<b>NHSScotland</b>			
226	226	Scottish Government Health & Social Care Directorate		109	109
1,559	1,559	Boards	<b>SFR 30.0</b>	1,078	1,078
<u>1,785</u>	<u>1,785</u>	<b>Total NHSScotland Receivables</b>		<u>1,187</u>	<u>1,187</u>
156	156	NHS non-Scottish bodies		271	271
0	0	General Fund receivable		0	0
3,532	3,532	VAT recoverable	<b>SFR 30.1</b>	3,594	3,594
8,521	8,521	Prepayments		8,224	8,106
4,773	4,773	Accrued income		3,094	3,094
3,593	3,575	Other receivables		3,543	3,543
20,994	20,994	Reimbursement of provisions		18,883	18,883
0	0	Other public sector bodies		0	0
<u>43,354</u>	<u>43,336</u>	<b>Total Receivables due within one year</b>	<b>SoFP</b>	<u>38,796</u>	<u>38,678</u>
		<b>Receivables due after more than one year</b>			
		<b>NHSScotland</b>			
0	0	Scottish Government Health & Social Care Directorate		0	0
0	0	Boards		0	0
<u>0</u>	<u>0</u>	<b>Total NHSScotland Receivables</b>		<u>0</u>	<u>0</u>
0	0	Other Public Sector Bodies		0	0
370	370	Prepayments		366	366
0	0	Accrued income		0	0
0	0	Other receivables		0	0
42,119	42,119	Reimbursement of provisions		65,309	65,309
<u>42,489</u>	<u>42,489</u>	<b>Total Receivables due after more than one year</b>	<b>SoFP</b>	<u>65,675</u>	<u>65,675</u>
<u>85,843</u>	<u>85,825</u>	<b>TOTAL RECEIVABLES</b>		<u>104,471</u>	<u>104,353</u>
645	645	The total receivables figure above includes a provision for impairments of:		819	819
		<b>WGA Classification</b>			
1,559	1,559	NHS Scotland	<b>SFR 30.0</b>	1,078	1,078
3,801	3,801	Central Government bodies	<b>SFR 30.1</b>	3,594	3,594
810	810	Whole of Government bodies	<b>SFR 30.2</b>	997	997
156	156	Balances with NHS bodies in England and Wales	<b>SFR 30.2</b>	271	271
79,517	79,499	Balances with bodies external to Government		98,531	98,413
<u>85,843</u>	<u>85,825</u>	<b>Total</b>		<u>104,471</u>	<u>104,353</u>
<b>2017</b>	<b>2017</b>			<b>2018</b>	<b>2018</b>
<b>£000</b>	<b>£000</b>	Movements on the provision for impairment of receivables are as follows:		<b>£000</b>	<b>£000</b>
533	533	At 1 April		645	645
369	369	Provision for impairment		369	369
(25)	(25)	Receivables written off during the year as uncollectable		(18)	(18)
(232)	(232)	Unused amounts reversed		(177)	(177)
<u>645</u>	<u>645</u>	At 31 March		<u>819</u>	<u>819</u>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 9. TRADE AND OTHER RECEIVABLES (cont'd)

As of 31 March 2018, receivables with a carrying value of £0.819m (2017: £0.645m) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2017 £000	Board 2017 £000		Consolidated 2018 £000	Board 2018 £000
116	116	3 to 6 months past due	369	369
529	529	Over 6 months past due	450	450
<b>645</b>	<b>645</b>		<b>819</b>	<b>819</b>

The receivables assessed as individually impaired were mainly, companies, patients and private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2018, receivables with a carrying value of £3.377 million (2017: £4.863 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2017 £000	2017 £000		2018 £000	2018 £000
4,863	4,863	Up to 3 months past due	3,377	3,377
0	0	3 to 6 months past due	0	0
0	0	Over 6 months past due	0	0
<b>4,863</b>	<b>4,863</b>		<b>3,377</b>	<b>3,377</b>

The receivables assessed as past due but not impaired were mainly companies, patients and private individuals and there is no history of default from these customers recently.

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

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

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

2017 £000	2017 £000		2018 £000	2018 £000
0	0	Counterparties with external credit ratings		
0	0	A	0	0
0	0	BB	0	0
0	0	BBB	0	0
0	0	Counterparties with no external credit rating:	0	0
0	0	New customers	0	0
0	0	Existing customers with no defaults in the past	100,275	100,157
80,962	80,962	Existing customers with some defaults in the past	0	0
<b>80,962</b>	<b>80,962</b>	Total neither past due or impaired	<b>100,275</b>	<b>100,157</b>

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.

2017 £000	2017 £000		2018 £000	2018 £000
85,843	85,825	Pounds	104,471	104,353
0	0	Euros	0	0
0	0	US Dollars	0	0
<b>85,843</b>	<b>85,825</b>		<b>104,471</b>	<b>104,353</b>

All non-current receivables are due within 20 years (2016-17: 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 £65.675m (2016-17: £42.489m).

The effective interest rate on non-current other receivables is 2.42% (2016-17: 2.2%).

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

10. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 2017 £000	Board 2017 £000		Consolidated 2018 £000	Board 2018 £000
0	0	Government securities	0	0
5,211	976	Other	5,657	1,202
<b>5,211</b>	<b>976</b>	<b>TOTAL</b>	<b>5,657</b>	<b>1,202</b>
			<b>SoFP</b>	
5,276	976	<b>At 1 April</b>	5,211	976
127	0	Additions	<b>CFS</b> 415	288
(20)	0	Disposals	(83)	(62)
0	0	Impairment recognised in SoCNE	<u>2</u>	0
(172)	0	Revaluation surplus / (deficit) transferred to equity	114	0
<b>5,211</b>	<b>976</b>	<b>At 31 March</b>	<b>5,657</b>	<b>1,202</b>
			<b>SoFP</b>	
0	0	Current	<b>SoFP</b> 5,657	1,202
5,211	976	Non-current	<b>SoFP</b> 5,657	1,202
<b>5,211</b>	<b>976</b>	<b>At 31 March</b>	<b>5,657</b>	<b>1,202</b>
			<b>SoFP</b>	
0	0	The carrying value includes an impairment provision of	0	0

Other financial assets comprised of an initial investment of £975,164 in Hub SW NHSL Holdco Ltd in the form of 10.50% fixed coupon unsecured loan notes. Interest was subsequently rolled up into this investment during the build phase of each of the Hubs on the same terms as the initial investment. The investment is repayable in full with interest over a period of 25 years to NHS Lanarkshire.

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

11. CASH AND CASH EQUIVALENTS

	Note	2018 £000	2017 £000
Balance at 1 April		1,158	591
Net change in cash and cash equivalent balances	<u>CFS</u>	2,200	567
<b>Balance at 31 March</b>	<u>SoFP</u>	<u>3,358</u>	<u>1,158</u>
Overdrafts		0	0
<b>Total Cash - Cash Flow Statement</b>		<u>3,358</u>	<u>1,158</u>
The following balances at 31 March were held at:			
Government Banking Service		2,901	485
Commercial banks and cash in hand		39	45
Overdrafts		0	0
Short term investments		0	0
Endowment cash		418	628
<b>Balance at 31 March</b>		<u>3,358</u>	<u>1,158</u>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 12. TRADE AND OTHER PAYABLES

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
		<b>Payables due within one year</b>			
		<b>NHSScotland</b>			
		Scottish Government Health & Social Care Directorate	SFR 30.1	0	0
0	0	Boards	SFR 30.0	21,072	21,072
12,222	12,222	<b>Total NHSScotland Payables</b>		21,072	21,072
12,222	12,222				
		<b>NHS Non-Scottish bodies</b>	SFR 30.2	735	735
381	381	Amounts payable to General Fund		2,940	2,940
530	530	FHS practitioners		42,840	42,840
41,544	41,544	Trade payables		8,539	8,498
9,888	9,837	Accruals		87,027	87,020
71,150	71,150	Deferred income		3,642	3,642
3,520	3,520	Net obligations under PPP / PFI Contracts	18	10,649	10,649
9,273	9,273	Bank overdrafts	11	0	0
0	0	Income tax and social security	SFR 30.1	10,660	10,660
10,056	10,056	Superannuation		7,142	7,142
6,993	6,993	Holiday pay accrual		6,480	6,480
5,211	5,211	Other payables		295	295
214	214	<b>Total Payables due within one year</b>	SoFP	202,021	201,973
170,982	170,931				
		<b>Payables due after more than one year</b>			
		<b>NHSScotland</b>			
		Scottish Government Health & Social Care Directorate	SFR 30.1	0	0
0	0	Boards	SFR 30.0	0	0
0	0	<b>Total NHSScotland Payables</b>		0	0
		<b>Other public sector bodies</b>			
		Net obligations under PPP / PFI contracts due within 2 years	18	12,239	12,239
10,649	10,649	Net obligations under PPP / PFI contracts due after 2 years but within 5 years	18	30,177	30,177
33,723	33,723	Net obligations under PPP / PFI contracts due after 5 years	18	115,641	115,641
124,334	124,334	<b>Total Payables due after more than one year</b>	SoFP	158,057	158,057
168,706	168,706				
339,688	339,637	<b>TOTAL PAYABLES</b>		360,078	360,030
		<b>WGA Classification</b>			
		NHS Scotland	SFR 30.0	21,072	21,072
12,222	12,222	Central Government bodies	SFR 30.1	17,758	17,758
17,262	17,262	Whole of Government bodies	SFR 30.2	735	735
575	575	Balances with NHS bodies in England and Wales	SFR 30.2	735	735
381	381	Balances with bodies external to Government		319,778	319,730
309,248	309,197	<b>Total</b>		360,078	360,030
339,688	339,637				
		<b>Borrowings included above comprise:</b>		<b>£000</b>	<b>£000</b>
£000	£000	Bank overdrafts		0	0
0	0	Finance leases		0	0
0	0	PFI contracts		168,706	168,706
177,979	177,979			168,706	168,706
177,979	177,979				
		<b>The carrying amount and fair value of the non-current borrowings are as follows</b>		<b>2018</b>	<b>2018</b>
		<b>Carrying amount</b>		<b>£000</b>	<b>£000</b>
		Finance leases		0	0
0	0	PFI contracts		158,057	158,057
168,706	168,706			158,057	158,057
168,706	168,706				

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

12. TRADE AND OTHER PAYABLES (cont'd)

Consolidated	Board
2017 Fair value £000	2017 Fair value £000
0	0
168,706	168,706
<b>168,706</b>	<b>168,706</b>

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

**Fair value**

Finance leases  
PFI contracts

Consolidated	Board
2018 Fair value £000	2018 Fair value £000
0	0
158,057	158,057
<b>158,057</b>	<b>158,057</b>

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

2017 £000	2017 £000
339,688	339,637
0	0
0	0
<b>339,688</b>	<b>339,637</b>

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

Pounds  
Euros  
US Dollars

2018 £000	2018 £000
360,078	360,030
0	0
0	0
<b>360,078</b>	<b>360,030</b>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

**FOR THE YEAR ENDED 31 MARCH 2018**

### 13. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2018 TOTAL
	£000	£000	£000	£000	£000
At 1 April 2017	11,827	64,459	64,337	478	141,101
Arising during the year	1,450	44,521	17,669	360	64,000
Utilised during the year	(881)	(3,811)	(3,217)	(64)	(7,973)
Unwinding of discount	24	(1,509)	(330)	(3)	(1,818)
Reversed unutilised	(100)	(18,749)	(6,471)	(90)	(25,410)
<b>At 31 March 2018</b>	<b>12,320</b>	<b>84,911</b>	<b>71,988</b>	<b>681</b>	<b>169,900</b>

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

#### Analysis of expected timing of discounted flows to 31 March 2018

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2018 TOTAL
	£000	£000	£000	£000	£000
Payable in one year	1,522	18,925	17,660	677	38,784
Payable between 2 - 5 years	3,490	58,503	38,535	4	100,532
Payable between 6 - 10 years	3,762	7,483	1,846	0	13,091
Thereafter	3,546	0	13,947	0	17,493
<b>At 31 March 2018</b>	<b>12,320</b>	<b>84,911</b>	<b>71,988</b>	<b>681</b>	<b>169,900</b>

#### PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2017 TOTAL
	£000	£000	£000	£000	£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)
<b>At 31 March 2017</b>	<b>11,827</b>	<b>64,459</b>	<b>64,337</b>	<b>478</b>	<b>141,101</b>

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

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

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2017 TOTAL
	£000	£000	£000	£000	£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
<b>At 31 March 2017</b>	<b>11,827</b>	<b>64,459</b>	<b>64,337</b>	<b>478</b>	<b>141,101</b>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

### 13 a. 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 0.10% (2016-17 0.24%) 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 -2.42% (2016-17(-2.70%)).

#### 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 -2.42% (2016-17(-2.70%)).

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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

2017 £000		Note	2018 £000
64,580	Provision recognising individual claims against the NHS Board as at 31 March	<u>13</u>	85,215
(63,113)	Associated CNORIS receivable at 31 March	<u>9</u>	(84,192)
64,337	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	<u>13</u>	71,988
<b>65,804</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>73,011</b>

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

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

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

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

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

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

14. CONTINGENT LIABILITIES

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

2017 £000	Nature	2018 £000
25,568	Clinical and medical compensation payments	23,800
<u>25,568</u>	<b>TOTAL CONTINGENT LIABILITIES</b>	<u>23,800</u>

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

**Guarantees**

None

**Indemnities**

None

**Letter of comfort**

None

**CONTINGENT ASSETS**

24,598	Clinical and medical compensation payments	22,877
<u>24,598</u>		<u>22,877</u>

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**15. EVENTS AFTER THE END OF THE REPORTING YEAR**

**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 material effect on the accounts.

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

**16. COMMITMENTS**

**Capital Commitments**

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

2017		Property, plant and equipment	Intangible assets	2018
£000		£000	£000	£000
	<b>Contracted</b>			
4,101	Monklands Replacement of Theatres & ICU	1,200	0	1,200
1,408	Decontamination Estate Works at Acute Sites	0	0	0
103	Hairmyres Ophthalmology Increased Capacity	0	0	0
123	Wishaw Neonatal Accommodation Upgrade	0	0	0
643	Monklands RAT & Day Surgery re-design	0	0	0
369	Monklands Same Day Admissions Unit re-design	0	0	0
<u>6,747</u>	<b>Total</b>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
	<b>Authorised but not Contracted</b>			
799	Monklands Business Continuity	1,870	0	1,870
<u>2,328</u>	Laboratory Information Management System	0	618	618
<u>3,127</u>	<b>Total</b>	<u>1,870</u>	<u>618</u>	<u>2,488</u>

**Other Financial Commitments**

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

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

**17. COMMITMENTS UNDER LEASES**

**Operating Leases**

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

**Obligations under operating leases comprise:**

<b>2017</b>		<b>2018</b>
<b>£000</b>		<b>£000</b>
	<b>Land</b>	
0	Not later than one year	0
0	Later than one year, not later than 2 years	0
1	Later than two year, not later than five years	1
3	Later than five years	2
	<b>Buildings</b>	
1,273	Not later than one year	1,346
1,102	Later than one year, not later than 2 years	1,049
2,713	Later than two year, not later than five years	2,443
2,640	Later than five years	3,649
	<b>Other</b>	
3,126	Not later than one year	3,247
2,491	Later than one year, not later than 2 years	1,795
673	Later than two year, not later than five years	343
0	Later than five years	0
	<b>Amounts charged to Operating Costs in the year were:</b>	
3,388	Hire of equipment (including vehicles)	3,343
<u>2,748</u>	Other operating leases	<u>2,814</u>
<b><u>6,136</u></b>	<b>Total</b>	<b><u>6,157</u></b>

**Contingent rents recognised as an expense in the period were:**

Contingent rents

**Finance Leases**

None

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 18. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

The Board has entered into the following on-balance sheet PFI projects.

##### 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 £73.797m. The hospital and services are provided under a contract between Lanarkshire Health Board and Prosept 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 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 £151.895m. 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 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 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.

###### 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 £4.288m. 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 £44.595m.

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:

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**18. COMMITMENTS UNDER PFI/HUB CONTRACTS - On Balance Sheet (cont'd)**

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

2017		Hairmyres	Wishaw	Stonehouse	Hub	2018 TOTAL
£000	Gross Minimum Lease Payments	£000	£000	£000	£000	£000
27,559	Rentals due within 1 year	8,117	15,769	434	3,663	27,983
27,983	Due within 1 to 2 years	8,282	16,098	434	3,663	28,477
78,449	Due within 2 to 5 years	8,451	50,641	1,303	10,989	71,384
201,889	Due after 5 years	0	113,431	4,776	62,271	180,478
<b>335,880</b>	<b>Total</b>	<b>24,850</b>	<b>195,939</b>	<b>6,947</b>	<b>80,586</b>	<b>308,322</b>

2017		Hairmyres	Wishaw	Stonehouse	Hub	2018 TOTAL
£000	Less Interest Element	£000	£000	£000	£000	£000
(18,286)	Rentals due within 1 year	(2,071)	(11,954)	(348)	(2,961)	(17,334)
(17,334)	Due within 1 to 2 years	(1,462)	(11,529)	(339)	(2,908)	(16,238)
(44,726)	Due within 2 to 5 years	(774)	(31,124)	(950)	(8,359)	(41,207)
(77,555)	Due after 5 years	0	(34,154)	(2,034)	(28,649)	(64,837)
<b>(157,901)</b>	<b>Total</b>	<b>(4,307)</b>	<b>(88,761)</b>	<b>(3,671)</b>	<b>(42,877)</b>	<b>(139,616)</b>

2017		Note	Hairmyres	Wishaw	Stonehouse	Hub	2018 TOTAL
£000	Present value of minimum lease payments		£000	£000	£000	£000	£000
9,273	Rentals due within 1 year	12	6,046	3,815	86	702	10,649
10,649	Due within 1 to 2 years	12	6,820	4,569	95	755	12,239
33,723	Due within 2 to 5 years	12	7,677	19,517	353	2,630	30,177
124,334	Due after 5 years	12	0	79,277	2,742	33,622	115,641
<b>177,979</b>	<b>Total</b>		<b>20,543</b>	<b>107,178</b>	<b>3,276</b>	<b>37,709</b>	<b>168,706</b>

2017		2018
£000	Total	Total
19,661	Interest charges	18,286
29,467	Other charges	32,248
<b>49,128</b>	<b>Total</b>	<b>50,534</b>

2017		2018
£000		£000
741	Contingent rents (included in Other Charges)	832

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**19. PENSION COSTS**

**The new NHS Pension Scheme (Scotland) 2015**

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

**The existing NHS Superannuation Scheme (Scotland)**

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.sppa.gov.uk](http://www.sppa.gov.uk).

**National Employment Savings Trust (NEST)**

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

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

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2018	3%	2%	5%
1st October 2019	5%	3%	8%

Pension members can chose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

	2018	2017
	£000	£000
Pension cost charge for the year	51,666	50,804
Additional costs arising from early retirement	0	0
Provisions/liabilities/prepayments included in the Statement of Financial Position	12,320	11,827
Pension costs for the year for staff transferred from local authority	0	0

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

**20. PRESENTATION OF THE STATEMENT OF CONSOLIDATED NET EXPENDITURE**

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

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

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

<b>2016-17 expenditure as published</b>	<b>2017</b>
Hospital and Community	1,768,324
Family Health	311,515
Administration Costs	8,648
Other Non-Clinical Services	63,792
<b>Gross expenditure for the year</b>	<b><u>2,152,279</u></b>

<b>2016-17 expenditure conforming to the new presentation</b>	<b>2017</b>
Staff Costs	504,338
Other expenditure	
Independent Primary Care Services	171,916
Drugs and medical supplies	250,090
Other health care expenditure	1,225,935
<b>Gross expenditure for the year</b>	<b><u>2,152,279</u></b>

<b>Movement in gross expenditure for the year</b>	<b>0</b>
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<b>2016-17 income as published</b>	<b>2017</b>
Hospital and Community Income	761,868
Family Health Income	9,439
Administration Income	0
Other Operating Income	39,130
<b>Gross income for the year</b>	<b><u>810,437</u></b>

<b>2016-17 income conforming to the new presentation</b>	<b>2017</b>
Operating income	810,437
<b>Gross income for the year</b>	<b><u>810,437</u></b>

<b>Movement in gross income for the year</b>	<b>0</b>
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**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**21. RETROSPECTIVE RESTATEMENTS**

**Retrospective restatements which have been recognised in these Accounts are:**

	<b>DR</b>	<b>CR</b>
	<b>£000</b>	<b>£000</b>
Restatement of IJB Health Board surplus in 2016/17 within note 12, credit accrual, debit deferred income.	11,357	11,357
Restatement of segmental information in 2016/17 within note 5. Debit IJB North - £10,251,000 and IJB South - £9,848,000, credit Other Healthcare Providers NHSL Wide - £20,099,000	20,099	20,099

**NHS LANARKSHIRE  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**22. RESTATED PRIMARY STATEMENTS**

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

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

23. FINANCIAL INSTRUMENTS

23a. FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

CONSOLIDATED		Loans and Receivables	Assets at Fair Value through the SoCNE	Available for sale	Total
	Note	£000	£000	£000	£000
<b>AS AT 31 MARCH 2018</b>					
<b>Assets per balance sheet</b>					
Investments	10	0	0	5,657	5,657
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	6,908	0	0	6,908
Cash and cash equivalents	11	3,358	0	0	3,358
		<u>10,266</u>	<u>0</u>	<u>5,657</u>	<u>15,923</u>
<b>BOARD</b>					
	Note	£000	£000	£000	£000
<b>AS AT 31 MARCH 2018</b>					
<b>Assets per balance sheet</b>					
Investments	10	0	0	1,202	1,202
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	6,908	0	0	6,908
Cash and cash equivalents	11	2,940	0	0	2,940
		<u>9,848</u>	<u>0</u>	<u>1,202</u>	<u>11,050</u>
<b>CONSOLIDATED (Prior Year)</b>					
	Note	£000	£000	£000	£000
<b>At 31 March 2017</b>					
<b>Assets per balance sheet</b>					
Investments	10	0	0	5,211	5,211
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	8,522	0	0	8,522
Cash and cash equivalents	11	1,158	0	0	1,158
		<u>9,680</u>	<u>0</u>	<u>5,211</u>	<u>14,891</u>
<b>BOARD (Prior Year)</b>					
	Note	£000	£000	£000	£000
<b>At 31 March 2017</b>					
<b>Assets per balance sheet</b>					
Investments	10	0	0	976	976
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	8,504	0	0	8,504
Cash and cash equivalents	11	530	0	0	530
		<u>9,034</u>	<u>0</u>	<u>976</u>	<u>10,010</u>

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 23. FINANCIAL INSTRUMENTS (cont.)

##### Financial Liabilities

CONSOLIDATED		Liabilities at Fair Value through the SoCNE £000	Other financial liabilities £000	Total £000
<b>AS AT 31 MARCH 2018</b>				
<b>Liabilities per balance sheet</b>				
PFI Liabilities	12	0	168,706	168,706
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	148,856	148,856
		<b>0</b>	<b>317,562</b>	<b>317,562</b>
<b>BOARD</b>				
<b>AS AT 31 MARCH 2018</b>				
<b>Liabilities per balance sheet</b>				
PFI Liabilities	12	0	168,706	168,706
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	148,808	148,808
		<b>0</b>	<b>317,514</b>	<b>317,514</b>
<b>CONSOLIDATED (Prior Year)</b>				
<b>At 31 March 2017</b>				
<b>Liabilities per balance sheet</b>				
PFI Liabilities	12	0	177,979	177,979
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12	0	128,918	128,918
		<b>0</b>	<b>306,897</b>	<b>306,897</b>
<b>BOARD (Prior Year)</b>				
<b>At 31 March 2017</b>				
<b>Liabilities per balance sheet</b>				
PFI Liabilities	12	0	177,979	177,979
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12	0	128,867	128,867
		<b>0</b>	<b>306,846</b>	<b>306,846</b>

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**23. FINANCIAL INSTRUMENTS, cont.**

**23b. FINANCIAL RISK FACTORS**

Exposure to Risk

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

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

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

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

**a) Credit Risk**

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

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

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

The utilisation of credit limits is regularly monitored.

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

**b) Liquidity Risk**

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£000
<b>AS AT 31 MARCH 2018</b>				
PFI Liabilities	27,983	28,477	71,384	180,478
<b>Total</b>	<b>27,983</b>	<b>28,477</b>	<b>71,384</b>	<b>180,478</b>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£000
<b>At 31 March 2017</b>				
PFI Liabilities	27,559	27,983	78,449	201,889
<b>Total</b>	<b>27,559</b>	<b>27,983</b>	<b>78,449</b>	<b>201,889</b>

**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.

**23c. FAIR VALUE ESTIMATION**

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

**NHS LANARKSHIRE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**24. DERIVATIVE FINANCIAL INSTRUMENTS (Consolidated and Board)**

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

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**25. 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.

North Lanarkshire Integration Joint Board (IJB) is a related party of NHS Lanarkshire. During the year the Board received payments from the IJB of £385,507,487, and made payments to the IJB of £388,330,487. There is an outstanding balance of £5,369,000 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 £361,728,589 and made payments to the IJB of £363,169,589. There is an outstanding balance of £1,080,000 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.

# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 26. THIRD PARTY ASSETS

Third party assets managed by the Board consist of balances on Patients Private Funds Accounts.

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

	2017	Gross Inflows	Gross Outflows	2018
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	786	408	(505)	689
Total Monetary Assets	786	408	(505)	689

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

27a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group		Note	Board 2018 £000	Endowment 2018 £000	Integration Joint Board South Lanarkshire 2018 £000	Integration Joint Board North Lanarkshire 2018 £000	Consolidated 2018 £000
	<b>Total income and expenditure</b>						
504,338	Staff costs	3	516,276	0	0	0	516,276
	Other operating expenditure	3					
171,916	Independent Primary Care Services		173,924	0	0	0	173,924
250,090	Drugs and medical supplies		254,767	0	0	0	254,767
1,225,935	Other health care expenditure		1,260,200	371	0	0	1,260,571
2,152,279	Gross expenditure for the year		2,205,167	371	0	0	2,205,538
(810,437)	Less: operating income	4	(855,058)	(484)	0	0	(855,542)
(6,791)	Associates and joint ventures accounted for on an equity basis		0	0	(1,080)	(5,369)	(6,449)
<b>1,335,051</b>	<b>Net Expenditure</b>		<b>1,350,109</b>	<b>(113)</b>	<b>(1,080)</b>	<b>(5,369)</b>	<b>1,343,547</b>

The Board recharges £30,000 staff costs per year to the Endowment Fund.



# NHS LANARKSHIRE

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2018

#### 27b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

PRIOR YEAR		Board 2017 £000	Endowment 2017 £000	Integration Joint Board (Joint Ventures)		Consolidated 2017 £000
				South Lanarkshire 2017 £000	North Lanarkshire 2017 £000	
<b>Non-current assets:</b>						
Property, plant and equipment	SoFP	551,226	0	0	0	551,226
Intangible assets	SoFP	1,701	0	0	0	1,701
<b>Financial assets:</b>						
Available for sale financial assets	SoFP	976	4,235	0	0	5,211
Investments in associates and joint ventures		0	0	3,060	3,731	6,791
Trade and other receivables	SoFP	42,489	0	0	0	42,489
<b>Total non-current assets</b>		<b>596,392</b>	<b>4,235</b>	<b>3,060</b>	<b>3,731</b>	<b>607,418</b>
<b>Current Assets:</b>						
Inventories	SoFP	6,021	0	0	0	6,021
Intangible assets	SoFP	0	0	0	0	0
<b>Financial assets:</b>						
Trade and other receivables	SoFP	43,336	18	0	0	43,354
Cash and cash equivalents	SoFP	530	628	0	0	1,158
Available for sale financial assets	SoFP	0	0	0	0	0
Derivatives financial assets	SoFP	0	0	0	0	0
Assets classified as held for sale	SoFP	1,415	0	0	0	1,415
<b>Total current assets</b>		<b>51,302</b>	<b>646</b>	<b>0</b>	<b>0</b>	<b>51,948</b>
<b>Total assets</b>		<b>647,694</b>	<b>4,881</b>	<b>3,060</b>	<b>3,731</b>	<b>659,366</b>
<b>Current liabilities</b>						
Provisions	SoFP	(41,370)	0	0	0	(41,370)
<b>Financial liabilities:</b>						
Trade and other payables	SoFP	(170,931)	(51)	0	0	(170,982)
Derivatives financial liabilities	SoFP	0	0	0	0	0
<b>Total current liabilities</b>		<b>(212,301)</b>	<b>(51)</b>	<b>0</b>	<b>0</b>	<b>(212,352)</b>
<b>Non-current assets plus / less net current assets/liabilities</b>		<b>435,393</b>	<b>4,830</b>	<b>3,060</b>	<b>3,731</b>	<b>447,014</b>
<b>Non-current liabilities</b>						
Provisions	SoFP	(99,731)	0	0	0	(99,731)
<b>Financial liabilities:</b>						
Trade and other payables	SoFP	(168,706)	0	0	0	(168,706)
Liabilities in associates and joint ventures		0	0	0	0	0
<b>Total non-current liabilities</b>		<b>(268,437)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(268,437)</b>
<b>Assets less liabilities</b>		<b>166,956</b>	<b>4,830</b>	<b>3,060</b>	<b>3,731</b>	<b>178,577</b>
<b>Taxpayers' Equity</b>						
General fund	SoFP	(28,660)	0	0	0	(28,660)
Revaluation reserve	SoFP	195,616	0	0	0	195,616
Other reserves	SoFP	0	0	0	0	0
Other reserves - joint venture	SoFP	0	0	3,060	3,731	6,791
Funds Held on Trust	SoFP	0	4,830	0	0	4,830
<b>Total taxpayers' equity</b>		<b>166,956</b>	<b>4,830</b>	<b>3,060</b>	<b>3,731</b>	<b>178,577</b>

NHS LANARKSHIRE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

27c. CONSOLIDATED STATEMENT OF CASHFLOWS

Consolidated	Integration Joint Board (Joint Ventures)				
	Board	Endowment	South Lanarkshire	North Lanarkshire	Consolidated
2017 £000	2018 £000	2018 £000	2018 £000	2018 £000	2018 £000
	<b>Cash flows from operating activities</b>				
(1,334,879)	(1,350,109)	113	1,080	5,369	(1,343,547)
18,839	27,857	(80)	(1,080)	(5,369)	21,328
19,189	16,468	0	0	0	16,468
(78)	(205)	0	0	0	(205)
0	0	0	0	0	0
15,827	35,315	(116)	0	0	35,199
<b>(1,281,102)</b>	<b>(1,270,674)</b>	<b>(83)</b>	<b>0</b>	<b>0</b>	<b>(1,270,757)</b>
	<b>Cash flows from investing activities</b>				
15,190	(17,041)	0	0	0	(17,041)
(838)	(1,513)	0	0	0	(1,513)
900	(288)	(127)	0	0	(415)
0	0	0	0	0	0
4,576	128	0	0	0	128
0	0	0	0	0	0
0	0	0	0	0	0
78	205	0	0	0	205
<b>19,906</b>	<b>(18,509)</b>	<b>(127)</b>	<b>(0)</b>	<b>(0)</b>	<b>(18,636)</b>
	<b>Cash flows from financing activities</b>				
1,288,206	1,314,924	0	0	0	1,314,924
111	2,410	0	0	0	2,410
<b>1,288,317</b>	<b>1,317,334</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,317,334</b>
(7,365)	(9,273)	0	0	0	(9,273)
472	1,818	0	0	0	1,818
(19,661)	(18,286)	0	0	0	(18,286)
<b>1,261,763</b>	<b>1,291,593</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,291,593</b>
567	2,410	(210)	0	0	2,200
591	530	628	0	0	1,158
<b>1,158</b>	<b>2,940</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>3,358</b>
	<b>Reconciliation of net cash flow to movement in net debt / cash</b>				
567	2,410	(210)	0	0	2,200
591	530	628	0	0	1,158
<b>1,158</b>	<b>2,940</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>3,358</b>

**NHS LANARKSHIRE**  
**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**27c. CONSOLIDATED STATEMENT OF CASHFLOWS (cont'd)**

	Integration Joint Board (Joint Ventures)				Consolidated
	Board	Endowment	South Lanarkshire	North Lanarkshire	
<b>PRIOR YEAR</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
	£000	£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Net operating expenditure	(1,335,431)	552	0	0	(1,334,879)
Adjustments for non-cash transactions	19,915	(1,076)	0	0	18,839
Add back: interest payable recognised in net operating expenditure	19,189	0	0	0	19,189
Deduct: interest receivable recognised in net operating expenditure	(78)	0	0	0	(78)
Investment income	0	0	0	0	0
Movements in working capital	15,747	80	0	0	15,827
<b>Net cash outflow from operating activities</b>	<b>(1,280,658)</b>	<b>(444)</b>	<b>0</b>	<b>0</b>	<b>(1,281,102)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	15,190	0	0	0	15,190
Purchase of intangible assets	(838)	0	0	0	(838)
Investment additions	(0)	900	0	0	900
Transfer of assets to/(from) other NHS bodies	0	0	0	0	0
Proceeds of disposal of property, plant and equipment	4,576	0	0	0	4,576
Proceeds of disposal of intangible assets	0	0	0	0	0
Receipts from sale of investments	0	0	0	0	0
Interest received	78	0	0	0	78
<b>Net cash outflow from investing activities</b>	<b>19,006</b>	<b>900</b>	<b>0</b>	<b>0</b>	<b>19,906</b>
<b>Cash flows from financing activities</b>					
Funding	1,288,206	0	0	0	1,288,206
Movement in general fund working capital	111	0	0	0	111
<b>Cash drawn down</b>	<b>1,288,317</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,288,317</b>
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(7,365)	0	0	0	(7,365)
Interest paid	472	0	0	0	472
Interest element of finance leases and on-balance sheet PFI / PPP contracts	(19,661)	0	0	0	(19,661)
<b>Net Financing</b>	<b>1,261,763</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,261,763</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	<b>111</b>	<b>456</b>	<b>0</b>	<b>0</b>	<b>567</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>419</b>	<b>172</b>	<b>0</b>	<b>0</b>	<b>591</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>530</b>	<b>628</b>	<b>0</b>	<b>0</b>	<b>1,158</b>
<b>Reconciliation of net cash flow to movement in net debt / cash</b>					
Increase / (decrease) in cash in year	111	456	0	0	567
Net debt / cash at 1 April	419	172	0	0	591
<b>Net debt / cash at 31 March</b>	<b>530</b>	<b>628</b>	<b>0</b>	<b>0</b>	<b>1,158</b>



**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 (FRoM) 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

